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EDITORIAL

As We See It

The obvious surrender of the Wage Stabilization Board to the steel workers' union—or perhaps more accurately the labor union monopoly in this country—has the country by the ears at the moment, and naturally so. It has been clear from the first that the powers that be were not likely to have the courage in this, a political year, to take strong ground in opposing the politically powerful unions. The "recommendations" of last week now fully confirm the impression that has been gathered from what has been going on at the hearings.

It is, of course, merely silly to assert that such a recommendation, if adopted and acquiesced in, would not be "inflationary" as that much overworked word is now commonly employed. It would be worse than naive to suppose that such a settlement of the steel case would not be quickly followed by extreme demands by other powerful unions, which would be the harder to deny by reason of what is now taking place in the steel industry — always, of course, provided that the official "recommendations" are given practical effect.

All this is cause enough for public concern in all conscience. It is the more so since there has developed in recent weeks a tendency on the part of many (some of whom should know much better) to say that "a little inflation" at this time might be "a good thing." Of course, "a little inflation" is never "a good thing" regardless of what meaning is attached to the term "inflation." Any notion that matters could be helped at this time by higher costs or higher prices is difficult to comprehend, since the opinion is almost universal that prices are already too high, and that not very much

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The Transistor— An Electronic Miracle

By PAUL A. JUST
Executive Vice-President, Television Shares Management Co.

Mr. Just, after commenting on rapid growth of electronics industry, describes a new device, known as the Transistor, which eliminates use of the electric tube to "boil out" the electron. States several leading electronic concerns are preparing for mass production of new device

One of the Chicago newspapers recently ran a feature article headlined, "The Magic of Electronics Alters Our Way of Life," written by a financial editor. Just what is this magic of electronics which alters our way of life? Up until fairly recently, it used to be relatively easy to define electronics by saying that "Electronics is the science of controlling the flow of electrons by means of the vacuum tube." Unfortunately, this definition no longer applies, as we now find there are various other ways of controlling electrons without having to worry about vacuum tubes. For example, there is the miracle component (after all, if the pharmaceutical industry has its miracle drugs, the electronics industry is entitled to some miracles of its own) known as the transistor. You'll be hearing more and more about this device as time goes by, and we'll have something to say about it later in this article. Getting back to definitions, probably the most succinct that we have been able to find describing electronics appeared in "Electronic Markets," saying: "Electrons are actually the nearest thing to nothing—about which we know plenty." The most understandable definition we have heard comes from Dr. William Everitt, dean of the Engineering School at the University of Illinois. He said:

Paul A. Just

"Man has found many ways to supplement his muscles, but electronics is the best, and in many cases the only way man has found to supplement his senses and

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Beating the Tom-Toms!

SEC parade for acquisition of extended powers marches on. Commission takes positions convenient to it. Opposition to implementation of Title V continues unabated. Immediate repeal important. Commission welcomes taxing power.

Evidence continues to multiply that the representatives of the Securities and Exchange Commission frequently speak tongue in cheek as they pursue their merry quest for extended powers.

The so-called "implementation" of Title V of the Independent Offices Appropriation Act of 1952 is no exception to this rule.

Since the activities of the Commission are financed at public expense, we pay for this continuing junket of the SEC whilst many segments of our over-regulated securities industry are occupied all too constantly with the immediate necessity of earning a livelihood and with fear of reprisals, to form an effective opposition.

Here is proof of chameleonlike change of convenience:

Last year the following colloquy took place when Mr. McDonald, the former Chairman of the SEC, testified before the Committee on Appropriations: "Mr. Yates (Representative from Illinois): What possibilities for obtaining fees are there besides the ones you already charge which might compensate in measure for the cost of the regulation? Mr. McDonald: You can't charge people for prosecuting them, and a great part of our work is the prosecution of brokers who have committed violations."

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TELEVISION AND ELECTRONICS INDUSTRY FEATURED TODAY—This issue of the "Chronicle" contains special articles and other material bearing on the outlook and potential developments in the TELEVISION and ELECTRONICS INDUSTRY.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

The General Tire & Rubber Co.—Paul L. Dysart, Investment Advisor, Louisville, Ky. (Page 2)

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PAUL L. DYSART
Investment Advisor, Louisville, Ky.

The General Tire & Rubber Company

General Tire makes every conceivable kind of "on road" and "off road" tire, but—If you live in New England or on the West Coast, and you are an armchair Radio or TV sports fan for football, tennis, baseball or swimming, the chances are you are looking at a program originating in a General Tire owned station and played with General Tire made balls or other equipment. The chances are also very good that hundreds of the "live" fans in the audience attended these games in automobiles shod with General made tires.


Paul L. Dysart

General Tire is a versatile outfit. It not only manufactures a galactic list of rubber products of its own, but it has its mitt deep in many fields foreign to rubber tires and tennis balls. As an example, it owns the Yankee Network, a Radio station chain consisting of four wholly owned stations and 29 affiliated outlets covering six New England states. On the West Coast it owns the Don Lee Radio-TV system, an even larger network. But Don Lee has not been content to remain static on the Coast, so recently it worked out an intricate deal whereby it has taken over one of Greater New York's major stations, WOR—formerly owned by Macy's.

Another example of General Tire's acuity is its sole proprietary interest in "Aerojet," creator of Jato, the jet-assist "take-off" power unit for aircraft. Aerojet manufactures a wide variety of Rocket propulsion mechanisms, and is one of the foremost, if not the foremost producer of these futuristic experiments. Aerojet maintains a substantial force of personnel and equipment at the White Sands proving ground. The operations there are very hush-hush and highly secret.

General Tire's stock, therefore, represents something over and beyond a call on the rubber or tire business, as you can see from the above. And, while General still is a very large operation, it is not so large but that "growth" can be measured in increments of substantial fractions, something the giants of the industry find an impossibility. General Tire has "statistical room" to grow. And this growth is not away off in the misty future, for General Tire, early in 1952, announced a three-for-one split of its common shares. In the wild scramble to worship at the shrine of "growth," Mr. Average Portfolio Manager seems to have sadly neglected to consider GY, while he has, like a wild hare, chased after the temporarily fashionable stocks of many chemical and pharmaceutical companies, some of which have yet to demonstrate the staying power that General has demonstrated abundantly.

Last year (1951), a year of limited stock market movments, stocks of the Rubber group turned in a sparkling performance. But this record was more in the nature of a belated recognition of an extremely low "times earnings" basis rather than a keen perception of value based on a demonstrated highly sustained earning power. One has to dredge the past deeply to recall how investment prejudice against the Rubbers became so pronounced that a five-times-earnings has been considered high priced. Then it was that wide rubber price fluctuations entailed heavy reserves for possible losses. Sometimes these had to be used. With a sustained supply of synthetic as a counterbalance to the historic and erratic supply situation of natural rubber, it now seems doubtful that the previously held dim view of sustained earnings can be justified.

General heads a "family" of Rubber Companies. These are either wholly owned or majority controlled firms. They are Mansfield Tire & Rubber Co., and Pennsylvania Rubber Co. General's operations are world wide. It runs plants in Mexico, Canada, South America, Europe, Africa, Asia Minor and the Far East. It is truly an International enterprise. Its Management is tops. As an example, Dan Kimball, present Secretary of the Navy, formerly was GY's West Coast Vice-President. He is representative. So I give you General Tire. It is worthy of your serious investment consideration.

DAVID NORR
Research Dept., Bache & Co.
Members, New York Stock Exchange

United Gas Corporation

United Gas Corporation is an integrated natural gas system serving the growing Gulf South. In addition to its gas distribution activities, the company is engaged in oil, sulphur and potash production and has entered the petrochemical field. Backed by substantial oil and gas reserves and good finances the stock is an attractive commitment for increased earning power.


David Norr

The corporate organization consists of United Gas Corporation which operates the distribution division; Union Producing Company, a wholly-owned production subsidiary; United Gas Pipe Line, a wholly-owned transmission subsidiary, and Duval Sulphur & Potash Company in which the Corporation owns about 75% of the outstanding stock.

United Gas is engaged in the production, transmission and distribution of natural gas at wholesale and retail. It serves an expanding, prosperous area covering parts of the Gulf Coast of Texas, Louisiana, Mississippi, Mobile in southern Alabama and Pensacola in northwestern Florida. A portion of the system in North Texas, not integrated with the balance of the properties, will be sold this year for $5 million. Sales to other distribution and pipeline companies and residential sales accounted for 54% of 1951 gas revenues, with sales to industry power plants and government installations making up the balance of gas sales. Substantial sales are made at non-regulated rates.

At Oct. 31, 1951, proven owned oil reserves were estimated at 68,490,000 barrels of oil, and owned gas reserves were 3,772 billion cubic feet. In addition, the company controlled almost 47 million barrels of natural gasoline and condensate reserves and controlled 17,868 billion cubic feet of gas under purchase contracts. The importance of the substantial gas reserves lies in the fact that they are equivalent to 18 years requirements, assuming a 65% increase in gas presently handled. The company now produces 28% of its gas requirements. Pure Oil has begun deliveries from its extensive off-shore gas pools to United Gas and settlement of the Tidelands dispute would probably permit development of added reserves. Further, United Gas has interests in over 2 million acres, of which over 1,362,000 are held by leasehold or fee and the balance controlled by contracts. Thus, the company has substantial oil and gas reserves and properties.

Sulphur is obtained from the company's 75% interest in Duval Sulphur & Potash. Although Duval's sulphur reserves have only a few years production remaining Duval has three potash leases covering 6,500 acres in New Mexico. Reserves under one lease alone, exceed 14 million short tons. Processing facilities are under construction and revenues from this source should commence later in 1952. Because of the world-wide fertilizer shortage and increasing demands, this activity should be an important supplement to the regular utility operations.

Revenues in 1951 were over $125,600,000, broken down into natural gas sales, $89,600,000; gasoline and processing of gas, $14,600,000; crude oil, $16,600,000, and sulphur, $4,800,000. The importance of the crude oil and sulphur operations, which account for about 17% of operating revenues, lies in their contribution to net profit. Producers of oil and sulphur benefit from wide profit margins due to low operating expenses and income tax benefits. Thus, these operations probably accounted for a significant part of the $18,312,000 of net income.

In the petrochemical field United Gas owns 13.4% of the notes and 11.6% of the stock of Carthage Hydrocol. Although that company has had technical difficulties in operations, it represents an unusual activity with large potentials. United Gas is also engaged with National Research Corporation in conversion of natural gas into chemical products.

The current capital expansion program of United Gas will be completed in 1952. The additional grid of pipelines, new compressor stations and dehydration plants will result in an increase of almost a third in maximum delivery capacity. The capitalization, 41% equity in a capitalization of $451 million, permits additional debt financing if demands for gas in the territory served continue to increase.

Electric Bond & Share, owner

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Some Aspects of Europe's Bankruptcy

By MELCHIOR PALYI

After describing "psychological atmosphere" in Europe, Dr. Palyi reports little interest by Europeans in basic problems of their own countries. Says Britain and France are already on verge of bankruptcy and scores British failure to increase coal production and France's mal-investment of Marshall Plan funds, particularly in wasteful railroad rehabilitation. Concludes Europe will never become self-supporting unless we cut out all economic aid or make it clear future aid is forthcoming "with very specific strings attached." Holds basic trouble in Europe is political, and situation exists in which full employment is accompanied by poverty.

The first impression one gets on a European trip is (to be quite blunt about it) that they don't like us. It is not that they don't like the Marshall Plan and American aid in general. That they do like.

Dr. Melchior Palyi

The Germans resent very much the high living of American civilians and military personnel in their country, something to be charged to the German taxpayer at many hundreds of million dollars a year. The Germans feel, incidentally, that this is all they can afford as their financial contribution to armaments.

They do not understand why, up to 1949, for example, American authorities spent something like half a billion dollars for buildings in Germany; why the British took scarce raw materials, partly imported into Germany, and sent them from the Rhineland to Hamburg wrapped for export; why the occupation army, which is a small army, in three years' time needed 600,000 false teeth. Did the Americans have such bad teeth at home that they had to come to Germany to renew them?

West of the Rhine, the lack of enthusiasm for America has deeper roots, one of which is that we are pushing them hard toward rearmament. Rearmament is entirely unpopular all over Europe. Not that they do not want to have arms. They do not like to sit quiet while the Russians have such tremendous armies ready. But, on the other hand, they do not like to arm, either. You will say that is not logical. Well, since when are people logical?

They like to see American troops, but not too many of them, either. For a while they were worried that the Russians might be dangerous. Today they are worried that the Americans might start trouble. No one seems any longer to expect Russia to start war in Europe in the visible future. I have not found a newspaper or an individual worried about that, but I have found many who indicate—some of them are quite influential—that the country called the "Excited States" might get so excited that it might start the shooting.

They do not understand why we care so much for Korea. They say that this sort of venture should be written off. "Look at us," they say. "How many defeats did we take? What does it matter, provided you don't get into real war?" Peace—peace by all means; peace at almost any price except unconditional surrender to Russia, is what the Europeans want. They are pacifists, and pacifism is the Number One item on the Russian propaganda menu.

The Russians say, "We don't want war. All we are preparing for is defense against American imperialists." How can anybody believe that America is imperialist? Well, you travel in Europe with open eyes and you almost start to believe it yourself. Americans are conspicuous anywhere. You read about an international committee, about a conference, or any political move, and some Americans head it, some Americans lead it; Americans here, Americans there. You get the impression that anything that happens in Europe (if you are a superficial reader, and who is not?) is managed, handled, led by Americans. And it does not take much to create that impression because Europeans, who are very highly cultured, do not read much about international affairs.

The leading German newspaper, the "Frankfurter Allgemeine," has 30,000 circulation—in a town of 450,000 population, and it is read all over Germany. That is one of the biggest newspapers in Germany, and Germany is one of the most highly cultured countries.

The British are the only ones who have papers with large circulations, but for the most part, what papers! Four sheets to eight sheets, in sandwich paper size, containing mainly pictures of some princess, some bathing beauty, and some murder.

There are no radio commentators of our type in Europe. All radio stations belong to the government. At certain hours, the news is established by a governmental spokesman — mostly very unexciting news, dealing with royalty and other important affairs, but nothing controversial. There are discussions about non-controversial issues occasionally.

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Articles and News

Regular Features

*No column by Mr. Bargeron this week.

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Investment Policy In a Changing World

By RAYMOND RODGERS*

Professor of Banking, School of Commerce, Accounts and Finance Graduate School of Business Administration, N. Y. U.

Predicting, in the absence of unforeseen events, that business will remain at high level but with more and more industries experiencing a buyers' market, Dr. Rodgers expresses view interest rates will be lower by early next year, and there will be larger institutional demand for bonds. Says outlook for equities in the United States is not good, and trustees should view stocks with less favor. Sees Canada as favorable investment field.

One of the most outstanding facts of our time is that the world has shrunk in size. It has shrunk in size by every yardstick other than physical dimensions of the planet. Growing trade, ever faster travel, and almost instantaneous communication of ideas have made each nation an integral part of the world fabric. Now, more than ever before, no nation can live alone; no nation can insulate itself from external forces; no nation can disregard the powerful effect international political developments have on its economic affairs. This is particularly true of Canada because of its senior partnership in the British Commonwealth of Nations and its great economic and geographic partnership with the United States.

Raymond Rodgers

The World Outlook

The world outlook is by no means good; but it could be worse; and, it is getting better! Peace through friendship is much to be preferred; but peace through military strength is much better than war; and everyday the strength of the democratic Western World is greater than the day before.

Throughout the current postwar period, at every opportunity, I have insisted that Russia would not hazard the terrible consequences of direct war with the Western World. Each passing day adds to my conviction that the hard-bitten realists in the Kremlin will not commit suicide by attacking the free world in the foreseeable future. On the other hand, they will continue to stir up their satellites against us, and do everything possible, other than direct war, to bleed us financially and wreck us economically through subversion, propaganda and all means fair or foul, chiefly foul, as Marxian dialectic holds that such is the route to the ultimate victory over capitalism!

Even though direct war is highly improbable, foreign developments must be watched very carefully because of their impact on government spending, military production and civilian buying rates.

This talk is based on the assumption that direct war will be avoided. In fact, the economic and financial consequences of another world war would be so great that it would be little more than idle speculation to try to postulate their effect on investments.

The United States Outlook

Now, to bring you a quick report from "South of the Border," since the end of World War II, as you know, we in the United States have had boom piled on boom. Each time that a readjustment started to materialize, another boom came along to bail us out. This rescue-cycle continued until last spring when, despite heavy rearmament spending and positive assurances of the business forecasters to the contrary, a fuse blew some place in the economy and the so-called inventory recession, primarily in the soft goods industries, materialized, as if by magic.

Looking ahead, the dominant influences for the balance of 1952 will be:

(1) The attitude of consumers on spending versus saving. Despite higher income, in the last three quarters of 1951 our consumers bought, in physical units, at a rate no higher than they did before the Korean difficulties—and it was not lack of goods that prevented their purchases. I believe saving will continue at a high level because people now realize that they can have guns and more butter than they can use.

(2) The attitude of business on capital expenditures and inventory accumulation. The peak of non-defense capital expenditures was passed last fall and the defense capital expenditures peak should be this summer, so capital expenditures after the middle of 1952 should tend to decrease rather than increase.

(3) The attitude of the United States government on defense spending. In 1951, defense spending was at the average rate of $2.6 billion a month; in 1952, even on the stretched-out, or leveled-off, basis the rate will be $4.6 billion a month, hitting a peak of $5.0 billion a month by January, 1953, at which level it will continue until 1954, or **indefinitely**, if necessary. You may wonder why defense spending is listed after that of consumers' business, but the fact is that even **by the end of 1952 defense will absorb only about 20% of our Gross National Production.** (Parenthetically, it should be pointed out, however, that the race between the growth of our economy and total government spending in the past 50 years has been won by our government, hands down!)

Weighing the above dominant influences, it seems that the forces of inflation and deflation are pretty well in balance. Although Washington keeps on warning that the increased military expenditures will set the forces of inflation in motion again, and although the wage increases that will be granted to many unions will directly increase the inflationary pressures, business in general, that is, other than the sectors directly, or indirectly, engaged in defense work, is much more worried about deflation than inflation.

The threats of inflation emanating from Washington are not surprising. Both the Administration and the Congress have shown a strong inflation bias, and certainly the Truman Administration would not like to see a period of declining business activity during an election year. Nonetheless, increased productive capacity and the higher productivity of the new machinery and equipment, coupled with buyers' resistances, seem to be exerting even stronger downward pressure on prices.

What will be the outcome of this tug-of-war between the forces of inflation and deflation? Assuming no unforeseen events, the following conclusions seem warranted:

(1) Business activity will remain at a high level. It is even possible that the Federal Reserve Index of Industrial Activity, which has hovered around 218 for several months, will rise during the summer months as the output of defense materials increases.

But more and more industries will experience a buyers' market, with competition keen and with buyers' resistance continuing. In addition, termination of the Korean War would further increase buyers' resistance and would have a dampening effect on capital expenditures by corporations, especially in the second half of the year.

(3) As for the Presidential election, if it should appear later on in the year that the Republican Party is certain to win, the economic effect would be about the same as an improvement in Korea. Business sentiment would swing to the cautious side on the theory that reckless spending would be reduced, or even terminated.

(4) On the other side of the ledger, the increased military spending should go far toward counter-balancing any decline in non-military demand.

So it seems that the United States faces neither serious infla-

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*An address by Dr. Rodgers at the 20th Annual Meeting and Trust Conference, Trust Companies Association of Ontario, Canada, Toronto, March 2, 1952.

Prospects for the Television Industry

By THOMAS C. PRYOR

White, Weld & Co., Members N. Y. Stock Exchange

Expert analyst maintains notwithstanding current trade slump, overall sales and earnings results of TV manufacturers in 1952 will compare favorably with 1951. Predicts military production will become ever more important, and at least offset civilian operations' profits decline. Cites pending lifting of station freeze and color as favorable factors.

The 1951 earnings statements of television producers appearing to date have made surprisingly good reading. Such companies as Admiral, Motorola, Philco, Radio, and Sylvania reported larger earnings per share than many in Wall Street anticipated. As was to be expected, profits were well below the record results shown for 1950 but in each case were above the level of 1949. The industry made a good showing when allowance is made for the highly unfavorable operating conditions that prevailed last spring and summer. It is interesting to note that most of the leading companies were able to stay in the black on a pre-tax basis during that difficult period although operating profits admittedly were rather slim. The normal season pick-up in sales came through in the fall. As a result, the industry was able to reduce inventories from an estimated summer peak of 2,500,000 sets (manufacturing, wholesale, and retail stocks) to somewhere around 1,500,000 or more at the year-end. Some 5,400,000 TV units were turned out in 1951 compared with the all-time high of 7,500,000 of 1950. Radio sales held up surprisingly well, 12,300,000 in 1951 vs. 14,600,000 in 1950.

Thomas C. Pryor

Current Operating Trends

The fears of raw materials shortage that were prevalent a few months ago have been fading into the background. The industry has been turning out television sets at the rate of about 100,000 per week and radios at the 150,000 to 200,000 weekly level despite the short supply of copper and nickel. Today the problem of the industry once again is selling rather than production. Trade comments state that consumer demand has been at a low level since the first of the year. While current inventory figures are not available, stocks have apparently been piling up the past several weeks. Within the past few days General Electric, Emerson Radio, and Muntz have slashed set prices anywhere from $20-$90 per unit. The rest of the industry has not yet followed suit, but these price cuts are a good indication of the selling job that now faces the television producers.

Many in the industry are hoping that the 1952 Presidential election will exert a favorable influence on set demand. The nominating conventions are scheduled for July, and the five months July through November will be a time of intense political activity. Much of this five months' period has been a seasonal low point for the television industry in previous years. If the experience of the radio industry in 1924 and 1928 is any guide, the election this year should stimulate consumer buying for television sets. The impending removal of the freeze on TV stations will be discussed in greater detail later. At this point it is sufficient to point out that this event could add slightly to the 1952 set demand. It will be of far greater importance, however, in 1953 and 1954. All things considered, it now looks as though the television could produce around 5 million sets this year. There appears more uncertainty whether that many units can be sold.

Military Product of Growing Importance

From the standpoint of 1952 operations, defense production constitutes a bright spot in the picture. The importance of electronic equipment to the military has been generally recognized and widely discussed. Increasing amounts of electronics are being used by all of the armed services, particularly the Air Force. Today such electronic items as bomb sights, gun sights, and search equipment make up a very substantial percentage of the cost of advanced-type fighting aircraft. As a result, the decision to build up from a 95 to approximately a 140 Group Air Force by the mid-1950s has very favorable earnings implications for electronics and television manufacturers. While the proposed cut-backs in the aircraft program will result in somewhat lower levels of peak production, it now looks as though production will stretch out longer than was originally planned. Barring a sudden improvement in the international scene, the television industry should enjoy a substantial volume of defense business for several years to come. Trade reports have talked about production of electronics for the military attaining an annual level of $2½ billion. It should be realized that only part of this business will go to the television industry and that the aircraft industry and such companies as General Electric, Westinghouse, Bendix Aviation, and Minneapolis-Honeywell will

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
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Auto Production
Business Failures

Total industrial production for the country at large edged slightly lower in the period ended on Wednesday of last week, but it held close to a par with the high point of a year ago. It remained approximately 10% under the all-time high reached during World War II. As for employment, claims for unemployment insurance benefits in the week ended March 1, declined for the seventh straight week to the lowest level this year, but continued to be about 22% higher than a year ago.

The current week was set by the American Iron and Steel Institute as the fourth consecutive week for the steel mills to attain a new historical high peak of production at 102.6% of capacity. Output in the previous week registered 102.4% of capacity.

Steel consumers will be hit two ways as a result of the huge steel wage package recommended by the Wage Stabilization Board, according to "The Iron Age," national metalworking weekly. They'll have to pay a good deal more money for their steel. And they'll have to face whopping union wage demands—geared to the pattern-setting steel settlement as a "bargaining minimum."

The size of the board's recommendations blasted any lingering hope Washington stabilizers might have held that they could limit the steel price increase to Capehart adjustments. These would have allowed steel prices to advance about $2-$3 per ton. But the board's recommendations, if accepted, would raise steelmaking costs $12 or more a ton. That's why prices are the biggest roadblock to a steel agreement, states this trade weekly.

The board's figures indicate the suggested wage package would cost the steel industry 26 cents per hour. But industry calculations place the cost at 30 cents an hour. The industry adds another 30 cents for indirect costs. For the steel industry alone these higher costs would total about a billion dollars a year, this trade authority asserts.

As was expected, the case has bounced to the White House. President Truman holds the key to future steel production. If he okays a sizable steel price rise, we will get continuing steel production—with inflation. If he refuses, the steel companies will reject the board's recommendations and the steelworkers will strike April 8. In the end, higher steel prices are inevitable and only the amount is yet to be settled.

This is bad news to steel consumers—but the worst is yet to come. Early this week the United Steelworkers of America served notice it expects to win similar agreements for half a million workers in steel fabricating plants. The same union represents aluminum workers, whose wage negotiations have been bogged down pending development of a "pattern" in the steel case. It is expected that the union will try to establish the board's recommendations as a "bargaining minimum" in all these negotiations.

Then John L. Lewis will be around trying to hammer out just a little more for his United Mine Workers. By this time the sixth round wage pattern will be pretty well set, states "The Iron Age."

Steel consumers cannot be expected to absorb higher steel costs and terrific new wage packages along the lines recommended by the board. They in turn will have to seek higher prices if they hope to keep their heads above water.

Renewed consumer interest was noted particularly in Detroit, where auto companies recently were permitted bigger quotas. At first they did not think they needed much more steel to make the extra cars. But after taking stock of the situation they have begun to place additional orders.

But government controls leave the great bulk of steel consumers helpless to hedge against the possibilities of a strike and higher prices. Most of them have already placed orders against all Controlled Materials Plan tickets allotted them, concludes this trade authority.

Steel Output Scheduled This Week to Attain Fresh All-Time Weekly Production Record

This is one time that possibility of a steelworkers' strike did not have any appreciable effect on metalworking companies' steel inventories, says "Steel," the weekly magazine of metalworking the current week. There are two reasons for the absence of the protective buying that usually accompanies steel industry wage negotiations—government rationing of steel, and increased caution toward inventories.

Even if a buyer wanted to lay in some protective tonnage he could buy only to the limits of his Controlled Materials Plan tick-

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Rukeyser Talks Back To President Truman

President Truman's recent slur on the so-called private power lobby has been vigorously answered by Merryle Stanley Rukeyser, economic columnist. This occurred March 21 on Mr. Rukeyser's new weekly broadcast, "Rukeyser Reports" over WOR - Mutual Broadcasting System.

Merryle S. Rukeyser

"Since you and I were together last week," said Rukeyser, "President Truman answered your question about talking back to the government. The President spanked the private power lobby. The President lambasted its criticism of public power as 'vicious' and I quote: 'one of the most cynical and dangerous developments in many years.'

"For my part, however, the right of citizens to petition the government should not be curtailed. I'm for an open competitive market in ideas—and I think the common sense of the people can select the wheat from the chaff. The taxpayers have provided those temporarily in charge of the Executive Branch with plenty of money for publicizing their ideas.

"Mr. Truman feels that the privately owned utilities have been too aggressive. On the other hand, I have criticized them again and again on precisely the opposite ground. I think they've been overly timid and unduly cautious. But it's these differences that make horse races and also a competitive system."

Continued from page 2

The Security I Like Best

of 27% of the 11,718,632 shares, may be required to divest itself of a portion of its stockholding under an SEC ruling, though further appeals may be made.

United Gas earned $1.56 per share in 1951 and paid $1 in dividends. The management has estimated 1952 earnings of $1.87 per share and earnings of $2.20 are likely for 1953. On this basis an increase in the 25c quarterly dividend is possible. Interest and sinking fund requirements can be met under the most adverse conditions, according to the management.

With a conservative capitalization, completion of the expansion program, a growing territory, and interests in oil, sulphur, potash and petrochemicals, United Gas Corporation, one of the largest gas handlers in the country, is an attractive commitment at present levels, 27.

Joins A. M. Kidder Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Robert T. Bowman has become affiliated with A. M. Kidder & Co., 400 Beach Drive, North.

A. M. Kidder Adds

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla. — Donald L. Larson is now with A. M. Kidder & Co., 200 South Palm Avenue.

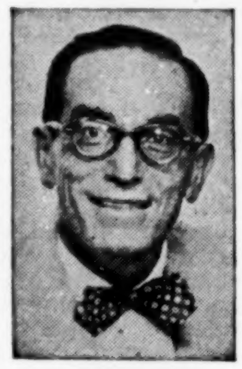
Observations . . .

By A. WILFRED MAY

Two Presidents Submit Financial Observations

"There's no socialism in Russia. It is the hotbed of special privilege. A common everyday citizen has about as much to say about his government as an average stockholder in a giant corporation."
—HARRY S. TRUMAN.

This quotation, one of the less glamorous of the diary entries in the best-selling book *MR. PRESIDENT** in implying villainy of corporate management, typifies the current oversimplification of, and superficial attitudes toward, many questions in the investment field.



A. Wilfred May

Actually, the impotence of today's public shareholder results from a wide variety of factors, including vitally the divergence of corporate ownership and control. While the managers can in certain instances and sectors (as in the insurance field) perhaps do more in letting their owners have more "say," much of the trouble is the shareholder's own fault, including his downright laziness (akin to the political electorate, half of whom do not trouble to vote in national elections), and a partially unwarranted sense of futility. The investor-stockholders want to be well-governed without being bothered, some very few occasionally raising Hell when the management takes advantage of their apathy.

Stockholders' intelligent and active interest and conscientiousness paving the way for their constructive organization, rather than legislation can importantly help "do the trick."

In any event, continued and far more thorough consideration of the angles of corporate democracy is called for than is implied in the metaphor which Mr. Truman saw fit to embody in his observation on the Russian scene.

The ramifications and continuing difficulties obstructing the arrival at definite conclusions to this and other key problems in finance, is also being currently demonstrated in the hearings of the Congressional Heller Committee in its investigation of the SEC. This was instanced vividly this week in the interrogation of New York Stock Exchange officials by the visiting Congressmen in New York City's uptown Immigration Building.

In the view of the Stock Exchange, the key to corporate democracy lies in a well-regulated and expanded security market.

That Margin Question

Another of such moot questions to arise in these hearings concerned the issue of margin requirements. The position of the Stock Exchange, as set forth by President Funston, is that the security collateral requirement as set by the Federal Reserve Board, now at 75%, has been and still is discriminatory contrasted with other credit-granting in the community; and is socially harmful in constituting one of the factors causing the market's lack of desired activity and "liquidity."

In reply Chairman Heller, modestly disclaiming abilities as an economist, asked the natural question whether margin restriction is not needed as a help to stay inflation.

Bound Up With Broader Elements

Both of these viewpoints typically appear to miss the point that factors far broader than stock market credit motivate inflation either within or outside of the market. Stock market expansion and price rises occurring throughout the many years of war and peace since the SEC's New Deal advent in 1934 have been activated, not in correlation with margin requirements, but rather by the government's external policies; as deficit-spending, artificially low interest rates, and taxation. Thus, as vividly demon-

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* "Mr. President," by William Hillman. Farrar, Straus and Young, New York, 233 pages, price $5.00. The quotation is from page 121.

A Speculator Looks at TV

By S. B. LURIE
Paine, Webber, Jackson & Curtis

Market analyst holds television industry has come of age market-wise presaging higher price-earnings ratios. Notes great stimulus to set sales which will come from coming lifting of new stations freeze, and from introduction of color.

Just about a year ago, the sellers' market which had accompanied America's newest billion dollar industry came to an end. And earnings in the second and third quarters plummeted with breath-taking suddenness. While the fourth quarter made unexpectedly cheerful reading, the high - water mark of 1950 earnings remained inviolate. And no one is so bold as to question its being surpassed in 1952. Yet, the equities of most television companies—whether it be a set manufacturer or a component parts manufacturer—now are at, or flirting with, their record all-time highs. Is the anomaly real or is it fancied?


S. B. Lurie

In retrospect, one fact stands out: The television industry has "come of age" marketwise—it has reached a point of security-buyer esteem never before possessed. Expressed another way, the price times earnings ratio has been—and remains—in a long-term uptrend. More dollars will be paid for smaller earnings—and this is the acid test of the stock price level. The following factors have combined to bring about this condition:

(1) Last year, the television industry met — and successfully passed—its first major test with flying colors. Although set production last summer was cut almost to the vanishing point, all of the major companies were in the black for the quarter—if not individual months. And all of the major set producers escaped financial difficulties; the troubles were confined to the marginal few — the fringe manufacturers. Thus, those who expected—and have been waiting for—a wholesale "cleanout" were doomed to disappointment. The birth pains were surprisingly few and a lusty infant was delivered.

(2) As a matter of fact, the television industry demonstrated its claim to at least one of the acid tests of good management: Resourcefulness and maneuverability. The promptness with which the major producers sensed the end of the sellers' market—with which new sets at lower prices were introduced — is supporting evidence. In other words, the television industry showed that it wasn't guilty of the sins of, say the textile business. Part of the answer of course lies in the fact that television—unlike older industries—possesses an inherent resiliency of demand, more bounce to the ounce, so to speak. This is another bull point.

(3) In the security markets, last year was noteworthy for the growing "emotional maturity" displayed by the average stock buyer —the indifference to temporary uncertainties, and the reliance on the future. With this philosophical condition still in force, the fact that the industry's first quarter 1952 earnings reports will make dismal comparison with last year has more or less become an accepted fact. Furthermore, the security-buying public may take the position that although retail demand has softened of late, a once - bitten industry will be twice-shy. Under the present tempo of speculative thinking, today's inventory indigestion may be regarded more as a temporary or isolated condition than a symtomatic situation.

(4) With the television industry having qualified for special treatment under the EPT, practically all of the major companies have a base exemption which is around or below 1951 earnings. Thus, this particular earnings limitation will first come into force in 1952—and, even then, it does not detract from the present prospect that most major companies can earn roughly 10% more than in 1951. Although unit set production may be slightly less than last year, the operating environment should be free of last year's chaos—which means better profits. Furthermore, by the summer months the leading companies will be in volume production of war work and this, for the most part, should be "plus business."

Temporary Over-Popularity

Any industry which becomes a speculative favorite runs the risk of temporary over - popularity. This may be true of television stocks today—for the security buyer's under-inventoried position in the group certainly has had a chance to be corrected in the past three months. And many of the industry's new friends seem to be glossing over the realities in favor of the romance. It's a little premature to talk about 1953 when 1952 has just hatched. If this be true, it will take more than a 5,000,000-set year in 1952 to build a new major advance from this point.

Sure, the long-term future of the electronic industry is brilliant. Just as the techniques developed during World War II gave the industry a lift, so our garrison economy has accelerated the pace of research with an inevitable consequent stimulus to growth. Even today, there are bright stars on the horizon in the form of transitors—microwave relay—an eventual world - wide television sytem, etc. But the die has not yet been cast as to which companies—which segments of the industry — will reap the greatest benefits.

Sure, the coming lifting of the freeze on new stations spells an ultimate tremendous stimulus to set sales—and an enormous lift to television broadcasting. But only a handful of new stations will be added to the existing total this year, and even those will probably be in smaller cities. The major stimulus to 1952 set sales will come from the political campaign and the fact that eight more cities will be on the TV networks this summer. Really important new markets won't "open up" for at least another year. Meanwhile, similar to the situation in the set market, the demand for time has softened on the broadcasting front.

Coming of Color

Sure, color is coming. And when it does become a commercial reality it will have a tremendous impact on the trade. For one thing, it will tend to obsolete all the sets now in use. Secondly, it will be added incentive to set ownership. Thirdly, it will be special reason for advertisers to use television. But color, glorious as it is, may be two years off—and no one knows how long, or how deep, the interim transition will be. Obviously, once the public believes that color is around the corner, sales of black-and-white sets will lessen.

Just to complicate matters, there's little question but that a new star is in the making—as the industry gets its second wind: A set maker provided the outstanding success story of the first phase of growth. This time, a parts maker or a broadcasting chain may capture the honors. But it's too early to tell. And it may be too early to put a halo around an industry—which, while dyanmic, is still adolescent. The growing pains may need a little stock market sulphur and molasses.

On the psychological front, one fact stands out: there's been a subtle change in the news environment. For one thing, the two chief candidates for stock split-ups did not take such action at their recent directors' meetings. Secondly, seasonally this is the time when sales usually are at a low ebb—and retail demand won't pick up until the summer months. Hence, the group probably will pause and refresh itself.

Second Inv. Course Given in Edmonton

EDMONTON, Alta, Canada — A new offering of Course II, "Principles and Practices of Investment Finance in Canada," will be offered in Edmonton to commence towards the end of May. The response to the previous course offered in collaboration with the Investment Dealers Association of Canada proved highly successful.

Paul C. Wolff

Paul C. Wolff passed away at the age of 65. In the past before his retirement he conducted his own investment business in New York City under the name of Paul C. Wolff Investment Company.

LETTERS TO THE EDITOR:

Majority of Contributors to Forum Favor Carothers' Stand on UMT

Check of comments received, including those given in today's issue, shows overwhelming proportion agree with views of Neil Carothers in his article "UMT—Why It Is a Mistake."

Provision is made in today's issue for publication of the remaining letters elicited by Neil Carothers' article, "UMT —Why It is a Mistake," which appeared in the "Chronicle" of Feb. 21. Although the House vote on March 4 to recommit the bill to the Armed Services Committee seemingly killed the proposal for this session of Congress, there were subsequent reports of the possibility of its being revived in amended form. Accordingly, the "Chronicle" deemed it appropriate to continue publishing the letters received in response to Dr. Carothers' article. In this connection, it may be noted that a check of the views expressed indicates that the majority of contributors on the subject are in agreement with Dr. Carothers that adoption of UMT would be a mistake. The remaining unpublished letters appear herewith.—EDITOR.

HARRISON L. AMBER
President,
Berkshire Life Insurance Co., Pittsfield, Mass.

When you ask for comment upon Dr. Carothers' article you strike a very responsive chord because I am 100% against UMT. I heartily agree with his opinion about the four reasons for its adoption. It will, in my opinion, do none of the things which the bill is claimed to do. Aside from the tremendous cost, which may be secondary, especially if we get into war, is the tremendous leverage of power which UMT gives to the military. I regret that the public is having less and less respect for our military leaders but it is their own fault; their wasting of the taxpayer's money and their utter disregard for the will of the taxpayer has, in my opinion, been the cause or is the cause of the lack of confidence which the public has in our military men.


H. L. Amber

I do not want to inject politics into this letter but I think the people who are playing up Eisenhower as a Presidential candidate may find that he is not as popular as they think, not because people are not great admirers of Eisenhower — I am myself — but we are becoming more and more suspicious of our military leaders and he is, of course, a military man.

I am delighted today to learn the UMT has been defeated and I hope forever, at least that is my feeling at the moment.

L. E. LEVERONE
President,
Nationwide Food Service, Inc., Chicago, Ill.

I have read Dr. Carothers' article rather carefully. It exactly expresses my views. Perhaps I would make it even stronger than Dr. Carothers. It is just another step toward absolute regimentation.

If UMT goes through, it will be another movement forward toward an eventual absolute regimentation of youth. It will be fatal to us if it is carried out.

HARRY A. BULLIS
Chairman of the Board, General Mills, Inc., Minneapolis, Minn.

Dr. Carothers has analyzed the situation in a discerning manner and has marshalled his arguments convincingly.


Harry A. Bullis

While I have no strong convictions on this subject, it has been my general opinion that a short period of military training, which did not interfere with the individual's career, might be of some value, partly because of the discipline which it requires and partly because it would make it easier to build an army in the future if it should ever become necessary. I do not believe that we should maintain a large army during peacetime, but it does seem to me that we should have enough men with training in the fundamentals so that they could be retrained quickly in the use of new equipment if the need should arise.

Our bottleneck has always been man-power in preparing for past wars. An intelligent program of Universal Military Training should minimize the hazards of that bottleneck.

HON. JOHN W. BRICKER
U. S. Senator from Ohio

It is an excellent article. As you probably know, I am substantially in accord with Dr. Carothers' views.

D. C. REID
85 Gracechurch St., London, E. C. 3, England

Dean Carothers' article on Universal Military Training would carry more weight if it did not contain so much evidence of anti-British prejudice. Dr. Carothers maintains that the United States was colonized mainly by refugees from European militarism. As even he should be aware, there was no conscription in England until the 1914-1918 war and the earlier colonists—such as George Washington's father—could hardly be more inaccurately described.

The English regular army — a creation largely of Oliver Cromwell — was always made up of volunteer soldiers. Some of its regiments—including the 17th or Leicestershire Regiment—in which I had the honor to serve, were stationed for long periods in America to protect the colonists from the French and the Indians. George Washington received his own military training as a colonial officer attached to the British forces.

During the last war I was attached for six months to the American command in Northern Burma, and it is fair enough to say of Joe Stilwell's campaign that "never was so little achieved with so much equipment" because of the lack of trained troops on the ground. The American commanders thought that they could get the fighting done by Chinese levies so long as they supplied the equipment.

One day an American officer

Continued on page 36

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Bank Stocks — Comparison and analysis of 12 leading bank stocks outside New York City — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Bank Stocks — Brochure outlining the case for bank stocks including pertinent facts on 24 selected banks—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Higher Profits in 1952 — List of 20 selected common stocks which should show higher profits in 1952 than in 1951—F. P. Ristine & Company, 15 Broad Street, New York 5, N. Y.

Insurance Stocks—Second tabulation of operating results for 12 months ended Dec. 31, 1951—Geyer & Co., Incorporated, 63 Wall Street, New York 5, N. Y.

Japanese Foreign Obligations—Discussion—Nomura Securities Co., Ltd., 1, 1-chome Kabutocho, Nihonbashi, Chuo-ku, Tokyo, Japan. In the same bulletin are analyses of **Japanese Paper Manufacturing Industry** and the **Investment Trust Industry of Japan.** Also available are quotations and stock price indices for the Tokyo Stock Exchange.

Long Term Dividend Payers—Forty selected issues—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Motor Industry—Review—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Television Industry—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Variety Chains — Analysis with particular reference to **S. S. Kresge Company, G. C. Murphy Company** and **F. W. Woolworth Co.**—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

* * *

American Cyanamid Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Butler Brothers.**

Argo Oil Corporation—Bulletin—Seligman, Lubetkin & Co., 30 Pine Street, New York 5, N. Y.

Associates Investment Co.—Data—Abraham & Co., 120 Broadway, New York 5, N. Y. Also available are data on **Doehler-Jarvis Corp., Public Service Electric & Gas, South Carolina Electric & Gas Co.** and **Tennessee Corp.**

Atomic Instrument Company—Analysis—Coffin, Betz & Co., 123 South Broad Street, Philadelphia 9, Pa.

Baruch Oil Corporation—Analysis—McLaughlin, Reuss & Co., 1 Wall Street, New York 5, N. Y.

Beneficial Loan Corporation—Annual report for 1951—Beneficial Loan Corp., Wilmington, Del.

Booth Fisheries Corporation—Analysis—Central Republic Co., 209 South La Salle Street, Chicago 3, Ill.

City National Bank & Trust Co.—Memorandum—Remer, Mitchell & Reitzel, 208 South La Salle Street, Chicago 4, Ill.

Empire Southern Gas Company—Analysis—H. M. Byllesby and Co., Inc., 1500 Chestnut Street, Philadelphia 2, Pa.

Interstate Petroleum Co.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Morris & Essex Railroad Co.**

Lion Oil Company—Annual report—Public Relations Department, Lion Oil Co., El Dorado, Ark.

Maine Central Railroad—Information—Raymond & Co., 148 State Street, Boston 9, Moss.

New England Lime Company—Circular—Dayton Haigney & Co. Inc., 75 Federal Street, Boston 10, Mass.

New England Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Ohio Oil Company—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y. Also available is an analysis of **Rochester Gas & Electric Corporation.**

Page-Hersey Tubes Limited—Analysis—Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ont., Canada.

Placer Development, Ltd.—Analysis—John R. Lewis, Inc., 1006 Second Avenue, Seattle 4, Wash.

Phillips Petroleum Company — Analytical brochure — Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Rheem Manufacturing Co.—Annual report—Rheem Manufacturing Co., 570 Lexington Avenue, New York 22, N. Y.

Riverside Cement Co.—Analysis and review of the Cement Industry—Lerner & Co., 10 Post Office Square, Boston, 9, Mass.

Russell Reinforced Plastics Corp.—Memorandum—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

Seneca Oil Company—Analysis—Genesee Valley Securities Co., Powers Building, Rochester 14, N. Y.

Standard Gas & Electric Co.—Memorandum—Ernst & Co., 120 Broadway, New York 5, N. Y.

Sioux Oil Co.—Photostatic copy of letter from the President reporting progress of the company—James M. Toolan & Co., 67 Wall Street, New York 5, N. Y.

Texas Calgary Company—Information—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also available is a brief report on **Eastern Racing Association** and **Monmouth Park Jockey Club.**

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of March 20, 1952 are as follows:

TEAM	Points
Kumm (Capt.), Ghegan, R. Montanye, Krassowich, Manson	79
Bean (Capt.), Lax, H. Frankel, Werkmeister, Reid	76
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	74
Donadio (Capt.), Rappa, O'Connor, Whiting, DeMaye	71½
Mewing (Capt.), G. Montanye, M. Meyer, LaPato, Klein	70
Serlen (Capt.), Gold, Krumholz, Young, Gersten	67
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle	63
Krisam (Capt.), Gavin, Gannon, Jacobs, Murphy	61
Leone (Capt.), Tisch, O'Marra, Nieman, Bradley	60
Greenberg (Capt.), Siegel, Cohen, Strauss, Voccoli	55
Burian (Capt.), Siepser, Hunt, Growney, Kaiser	53½
H. Meyer (Capt.), Swenson, A. Frankel, Wechsler, Murphy	53

200 Club

Vic Reid 234

5 Point Club

Tom Greenberg
Hank Serlen
Art Burian

Our next bowling night is March 27, 1952, our next schedule is:

Goodman vs. Meyer
Bean vs. Greenberg
Leone vs. Krisam
Serlen vs. Donadio
Hunter vs. Mewing
Kumm vs. Burian

COMING EVENTS

In Investment Field

March 26-27, 1952 (Chicago, Ill.)
Central States Group of the Investment Bankers Association of America at the Drake Hotel.

April 17, 1952 (New York City)
Security Traders Association of New York-Investment Traders Association of Philadelphia bowling tournament.

April 18, 1952 (New York City)
Security Traders Association of New York annual dinner at the Waldorf Astoria.

May 1-2, 1952 (Galveston, Tex.)
Texas Group of Investment Bankers Association Spring Meeting at the Hotel Galvez.

May 4-8, 1952 (San Francisco, Cal.)
National Federation of Financial Analysts Societies Fifth Annual Convention at the Fairmont Hotel.

May 9-10, 1952 (Los Angeles, Cal.)
National Federation of Financial Analysts Societies Fifth Annual Convention at the Ambassador Hotel.

May 14-17, 1952 (White Sulphur Springs, W. Va.)
Spring Meeting of the Board of Governors of the Investment Bankers Association.

June 6, 1952 (Chicago, Ill.)
Bond Club of Chicago field day at the Knollwood Country Club in Lake Forest.

June 6, 1952 (New York City)
Bond Club of New York outing at Sleepy Hollow Country Club.

June 10-13, 1952 (Canada)
Investment Dealers' Association of Canada annual convention at the Algonquin Hotel, St. Andrews-by-the-Sea, New Brunswick.

June 13, 1952 (New York City)
Municipal Bond Club of New York annual outing at the Westchester Country Club and Beach Club, Rye, N. Y.

June 13, 1952 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia summer outing at the Whitemarsh Country Club.

June 16-17, 1952 (Detroit, Mich.)
Bond Club of Detroit-Security Traders Association of Detroit & Michigan joint summer outing—June 16 at the Detroit Boat Club; June 17 at the Lochmoor Country Club.

June 18, 1952 (Minneapolis, Minn.)
Twin City Bond Club annual picnic at the White Bear Yacht Club.

June 20-22, 1952 (Minneapolis, Minn.)
Twin City Security Traders Association annual summer outing "Operation Fishbite" at Grandview Lodge on Gull Lake.

Sept. 28-Oct. 1, 1952 (Atlantic City, N. J.)
American Bankers Association Annual Convention.

Oct. 19, 1952 (Miami, Fla.)
National Security Traders Association Convention at the Roney Plaza Hotel.

Nov. 30-Dec. 5, 1952 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Sylvan Weil

Sylvan E. Weil passed away at the age of 59. Prior to his retirement in 1940 Mr. Weil was a member of the New York Stock Exchange and a partner in H. Hentz & Co.

Continued from page 4

Prospects for the Television Industry

be major producers of electronic equipment for the armed services.

To get back to the current situation, military production began to get rolling the latter part of 1951 and will be considerably larger in 1952. Take Sylvania as an example. In 1951 that company's defense production amounted to around 17-18% of total sales. By the last quarter, however, military output had risen to about 25% of total operations, and this rate is scheduled to build up to something close to 50% of monthly sales later in 1952. RCA-Victor has indicated that about one-third of its 1952 volume will be military business, while Motorola expects to obtain about 25% of 1952 sales from defense work. So far as profit margins are concerned, many in the industry are anticipating something in the order of 8-10% pre-tax on overall government business. This would not seem unduly high based on past performance. If these margins can in fact be realized, it is clear that defense production will make a sizable contribution to company profits based on level of sales presently projected.

Lifting of the Freeze Imminent

There is widespread current interest in the impending removal of the freeze on television station construction. This has undoubtedly been a major factor in the market strength of TV stocks over the past few months. Federal Communications Commission action on the station ban could come any day, although recent reports indicate it may be delayed until after April 1. There is no question but the lifting of the freeze will be a most constructive development for both the set makers and the networks. It should be realized, however, that a very considerable amount of time will elapse before many new stations are on the air. Even though UHF and VHF channels are allocated to various cities, the Commission will be faced with the herculean task of passing on all the individual station applicants in order to determine who is to be allowed to own and operate the various stations. It seems doubtful if more than 10 new stations will get on the air this year. Last fall, Dr. Baker, Vice-President in charge of Electronics for General Electric, estimated that two years after the freeze some 140 stations (including 36 UHF stations) would be on the air and 500 stations, (166 being UHF stations) at the end of five years. These figures are considerably more conservative than many others that have been bandied about. Coming from a man of Dr. Baker's stature, however, these estimates are of considerable interest. On a much longer term basis it may well be that 1,000 or more stations will be on the air. Looking beyond the freeze, estimates of the potential market for television sets range all the way from 30 to 50 million. Projecting five years ahead, it is not difficult to envision a total market of 40 million sets, as compared with some 16 million now in use. Allowing for trade-ins due to obsolescence, homes with two sets installed, etc., it does not seem unreasonable to project an average consumer demand of five million sets or more annually over the next five years.

The television networks will be major beneficiaries from a lifting of the freeze. The year 1951 was a banner year for the telecasting industry. Some 93 of the 106 reporting television stations operated in the black. The television networks and stations combined grossed some $239 million and recorded profits before taxes of $44 million, indicating a pre-tax margin of 18%. This contrasts with a $9 million combined loss suffered in 1950. The networks and their 15 owned stations grossed $132 million in 1951 and earned $12 million before taxes, a profit margin of 9%. The remaining 91 stations had total revenues of $107,000,000 and $31 million of pre-tax income, a 29% margin. These figures bear out the fact that the stations are currently much more profitable than the networks. The latter have been handicapped by the limited number of stations now in existence. This situation will improve, of course, as new stations start coming on the air. On the other hand, profit margins of some of the present television stations might well narrow as additional stations get into operation and competition intensifies. One of the interesting developments has been the increased interest taking place in UHF. Technological advances have improved the performance of UHF reception and strengthened its competitive position. It is reported that certain networks have requested the FCC lift its five-station ownership limit in order that some UHF units may be acquired. Taking a good long look ahead, many in the telecasting field expect it to eventually become a billion-dollar-a-year industry.

Color Television

Over the horizon, beyond the removal of the station freeze, looms color television, a development which is expected to have a very significant effect on all phases of television. The industry is currently engaged in a very active effort to develop a compatible all-electronic color system. Through a joint industry group, the National Television Systems Committee, leading manufacturers are hard at work in an effort to come up with satisfactory color standards which can be brought before the FCC for approval. RCA, General Electric, CBS, Paramount Pictures, and Zenith, to mention a few names, are all hard at work in this field. RCA has already had public demonstrations of its latest color tube and to the layman its performance was most impressive. CBS has abandoned its production of color sets and its color telecasting following the ODM's restriction on the use of scarce materials for the production of color. The initial public reception to the CBS mechanical, non-compatible system was not particularly enthusiastic and there is some question whether CBS will ever go back to its old color system at such time as materials are available.

The impact of color television is such that it should be a powerful competitor for the consumer's dollar. It should open up new markets for the set makers and eventually develop into a major source of earnings. It is too early to have any accurate idea as to the price of color sets or to what extent converters will be used. Many in the industry believe that once color is commercially feasible, the public in large numbers will turn in their present sets and buy an entire color model rather than to get color reception by means of a converter. If the history of black-and-white is any sort of reliable precedent, the public demand will snowball rapidly once colored sets are commercially available. Increased production combined with the know-how of the industry should bring important substantial savings in production costs that can be passed along to the consumer. Color is not just around the corner, but at this point one cannot put on precise limits as to the time when color will come out of the laboratory and into the home. The investor in television does know, however, that color should be a major source of potential earnings for the industry, that leading companies in electronics are working all-out on color TV, and that real progress is being made. For the person taking the long-term view towards investing in television, color should be an event worth waiting for.

Electronics a Basic Science

Fundamental to the entire industry is the rapid technological strides that are being made. The science of electronics is a basic to our present society. The frontiers of that science are constantly being pushed back as the result of energetic research by industry, our universities, and the government. Electronics is destined to play an ever more important role in the home, the office, the factory, and as part of our national defense establishment. The television industry is playing an important role in the development of electronics and should participate in its growth. It seems reasonable to suppose that the growth of the science should be accompanied by expanded opportunities for profit by the well-managed business enterprise. The vast program of military research now underway may bring about new discoveries having long-term commercial potentialities. World War II developments in the field of radar directly paved the way for the rapid postwar commercialization of television. Such important fields as industrial electronics, subscription television, and electronic computers are still in their infancy.

One of the most important products now under development is the transistor. The transistor represents a considerable improvement over the vacuum tube as we presently know it. (Vacuum tubes are used in radios, television sets, and a broad range of other electronic equipment.) The transistor is smaller, cheaper to build, has a longer life and requires less power. Because of the latter characteristic, it gives off less heat. Thus the transistor will contribute importantly to the trend towards minaurization (reducing the size of equipment). This is a particularly important consideration in the case of airborne radar and in the guided missile field. What is more, the transistor will permit the production of far more complex items of equipment than presently is possible. Bell Laboratories, General Electric, Sylvania, and RCA are all working in this field with Bell having a pilot plant in operation at Allentown, Pa. It is reported that some problems incident to the mass production of transistors remain to be solved. In time, however, the transistor is expected to pave the way for a substantial development in the scope and application of electronics.

Bernard Rhaesa Partner In C. E. Stoltz & Co.

Bernard Rhaesa has been admitted to partnership in C. E. Stoltz & Co., 25 Broad Street, New York City. Mr. Rhaesa was formerly a partner in Brady, Baird & Garvin.

Chicago Bond Club to Hold Annual Field Day

CHICAGO, Ill.—The Field Day of the Bond Club of Chicago will be held at the Knollwood Country Club in Lake Forest on Friday, June 6th.

Ebony Equities

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Suggesting that with all the current emphasis on petroleum, sight should not be lost of the importance of coal to our productive economy; and good coal stocks are by no means headed for the ash can.

Back in the pre-twenties, there was a business in most northern cities that seemed a "natural"—the coal and ice business—coal delivered in winter, and ice in summer, by the same teams of dray horses. The products overlapped nicely with the slack season of one blending neatly into the peak demand for the other. But since those halcyon days, this cozily balanced industry has fallen apart. The coal importantly gave way to oil and natural gas, the ice to the electric refrigerator and the dray horse to the truck. And the jolts to investors in coal mining enterprises were really rugged.

Ira U. Cobleigh

Just look at the table below if you want to see the ground coal has lost since 1910.

You'll note that in 1910 coal supplied 80% of our fuel energy; in 1950 less than 40%. And in 1940 total coal production stood where it had just 30 years earlier. While these figures paint, you'll pardon the expression, a rather black picture for today's "growth" minded analysts, for daring and perceptive persons with a good sense of market timing, depressed industries like this have often been the vehicles for impressive market gain.

There is a sharp difference right now between the positions of the two types of coal—anthracite (hard) and bituminous (soft). Hard coal has been hardest hit, since 80% of its market was for home or office heating. People got tired of coal dust in the house, of lugging out ashes from the cellar, of running downstairs to stoke, and finally of recurring strikes that loused up the supply. So oil and gas heat replaced the shovel "in spades." Whereas in 1922 there were scarcely 60,000 oil burners, there are today nearly 6 million and anthracite has been the big loser.

The Importance of Different Sources of Energy in the United States, Expressed in Quadrillions of British Thermal Units Produced

Year	Coal	Natural Gas	Water Power	Oil	Total
1910____	12.9	.5	.5	1.3	15.2
1920____	16.2	.8	.7	2.9	20.6
1930____	13.5	2.1	.8	5.5	21.9
1940____	12.9	2.9	.9	8.2	24.9
1950____	13.7	6.0	1.7	14.4	35.8

Soft coal has fared better because its customers, utility and industrial companies (and to a fading degree, railroads), have stuck with it more patiently. They have done so, in part because soft coal has kept competitive in price, and is produced at lower cost in more accessible mining levels than anthracite. Another thing, electric utilities throughout the country have expanded generating capacity enormously in the last decade, and their steam stations are refreshing customers to the flagging bituminous business. Bright chemists, too, have been cooking up new uses in their trade for coal and its by-products. Add to all this our extensive overseas shipment of soft coal to countries like England and France (who should have produced enough but didn't) and you can perceive the relatively superior market position of soft coal.

Marketwise, latching onto coal securities has been hazardous more often than it's been happy. Throughout the thirties the going was tough in coal mining; but during World War II it was a fancy field for speculators. From 1940 to 1946, in a parallel upward surge, both soft and hard coal equities advanced, and racked up the biggest percentage gains recorded among industrial shares. Pittston Co. rose from 9/16th to 29 from 1941 to 1946. From 1945 on, however, soft and hard coals have traveled divergent market roads with soft shares equaling their historic highs in 1948, and anthracite items scraping their 1932 lows as recently as last summer.

In the anthracite list today, a thoroughly deflated issue seems to present itself in the 1,730,882 shares of Glen Alden Coal Company. This is the largest American hard coal miner with a capacity of 15 million tons a year. It actually turned out less than half of that in 1951, with earnings but a meek 67 cents per share—the lowest earnings since 1939. As a result, dividends, which were $2.50 a share in 1948, were only 20 cents in 1951, and omitted entirely since May 1, 1951.

So much for the gloom. On the rosier side, Glen Alden has 400 million tons in reserve, a goodly hedge against inflation, and enough to produce at the 1951 level for 50 years. Finances are excellent with $11,581,551 net working capital at the 1951 year-end—and no long-term debt. The common sold at 25 in 1948, and at its present tag of 10⅝ it's near its decade low of 10⅛. Could be that all the unfavorable factors have by now been discounted and Blue Coal (Glen Alden's trade name) could take on a brighter market hue.

The biggest soft coal producer and no doubt the choiciest equity in this field is Pittsburgh Consolidation Coal Co. A $200 million property, with $96 million in current assets at the year-end (against $16,200,000 of current liabilities) PBM is magnificently solvent. On the production side, it turned out 27 million tons of smoke abatement fodder—roughly 5% of the total U. S. soft coal mined in 1951.

In common with other coal corporations, PBM benefited by the increased depletion allowance under the Revenue Act of 1951, from 5% to 10%. This provision should make possible larger retention of earnings, and more dough for replacement and improvement of mining equipment.

Pittsburgh Consolidation earned, in 1951, $7.44 on its 2,154,299 common shares and paid $3. Its reserves are fabulous (1,810 million tons) and its management among the very best. At 50, on the N. Y. Stock Exchange, it yields just 6% on 1951 dividends. An increase in these in 1952 is within the realm of possibility.

My third black entry is Truax Traer Coal, listed on the Stock Exchange, and now selling around 19⅜. This outfit operates 10 bituminous mines in West Virginia, 2 in Illinois and 4 lignite mines in North Dakota. Altogether it turned out 9 million tons in its 1950-51 fiscal year. Cheap open pit methods make possible low cost production in Illinois and North Dakota, and by opening new mines and construction of washing plants TRC has improved its competitive position. An impressive retention of earnings since 1945 has importantly modernized the plant.

About dividends, policy has been conservative, $1.60 being paid in 1951 out of net of probably around $4. Some stability is offered here since around 65% of output is contracted for in advance; and a new atomic energy plant in lower Illinois creates a new and high volume sales outlet.

Two equity vehicles are available to you in Truax Traer; the common, already mentioned (1,103.507 shares), and 132,420 shares of $2.80 convertible preferred selling at 42. This latter gives you a two-way twist. You can keep the $2.80 dividend return yielding 6.7%, or you can switch into 2 shares of common at any time. This is a conservative way to keep aboard what is essentially a speculative situation. A funded debt of $5,575,000 precedes these shares. And, oh, I almost forgot, oil has been found in North Dakota only five miles away from a big batch of Truax Traer land!

With all the roaring oil enthusiasm in the market today, it's a bit difficult to drum up interest in so prosaic and depressed a trade as coal — particularly anthracite which has visibly darkened the economy of cities like Scranton and Wilkes-Barre. But anthracite stocks like Glen Alden may now have touched bottom. Soft coals, such as Consolidation and Truax Traer give you more elements of assurance. But, in either case, if you were to envision no more labor stoppages, improved combustion techniques, and technological miracles like cheap oil, or a new chemical, out of coal, or the much talked of power generation at the mines, then you might bring back the lost romance of the ebony equities. In any event, there's plenty of coal in them thar hills!

Does History Repeat Itself?

By BRADBURY K. THURLOW*

Partner, Talmage & Co.

Members, New York Stock Exchange

Pointing out "historically the present market bears a strong resemblance to that of 1927," Mr. Thurlow compares the two periods, but concludes "is it not possible that the speculative public is now over invested in cash as in 1927," when a market decline was reversed, because of belief stocks were more profitable to hold than cash?

During the past five months virtually everyone in the securities business, along with a large number of those who follow the vagaries of our markets from the outside, has been deluged with an inundation of gloomy predications on the business outlook. Textiles are suffering from a vast postwar overexpansion which may be remedied only by the elimination of dozens of submarginal manufacturers. Store sales are in a rather pronounced downtrend. Students of economic cycles in the '20s and '30s are casting a jaundiced eye on the booming steel business and asking how long it can hold out against the impending collapse. It is not unnatural that these observers should feel more than a little disturbed when stock prices continue to hold stubbornly a good 30% on the average above their post-Korean lows.

B. K. Thurlow

Historically, the present market bears a strong resemblance to that of 1927. Then as now, the cycle of good business had run longer than any on record and was showing manifest signs of advanced age: the real estate boom had collapsed, commodity prices were falling with some declines ranging as high as 33% during the last half of the year, earnings for the average Dow-Jones Industrial issues were running approximately 20% lower than in 1926 with distinct weakness in individual industries. Yet, despite all these ominous developments, the stock market advanced steadily throughout the year and the following year exploded into that wild flight which found its final resting place in the dark abysses of 1932.

The foregoing, as historical fact, is not subject to differences of opinion, but a statement that this phenomenon could bear some resemblance to present market behavior, may well cause a few raised eyebrows. Therefore, we shall show further evidence in support of our theory. From a psychological and speculative viewpoint, 1926 was a year of disappointed expectations. A sharp break in the market occurring in the winter of that year was not regarded as a healthy sign in a bull market which was already the longest in history (in its fifth year) with stocks selling at an all-time high some 2½ times the level at which their rise had begun. General business showed signs of impending weakness and stock prices for approximately the balance of the year could make only a lame recovery. In other words, the public was selling stocks in anticipation of a decline in business. They were quite right on business, only to be exactly wrong on the market, as a result of which the "New Era" theory made its timely appearance to justify paying twice as much for a stock one had sold two years earlier because it had appeared overvalued on the basis of prospective earnings.

Not many people would disagree with the statement that 1951 was a year of disappointed expectations giving way to serious apprehensions of an impending decline in business. The market, as in the previous instance, failed on the whole to make headway against growing bearishness on the part of the speculative public, although (again like 1926) it consistently held above the price levels established during the first instances of weakness early in the year.

Is it possible that business will decline as anticipated for a year or so while the market resumes its

rise? (We rule out for this discussion what might happen if the public suddenly became aware of the seriousness and speed with which Russia is rearming in comparison with the almost whimsical attitude toward the problem in this country.) Is it not possible that the speculative public is now overinvested in cash, as it was in 1926 and 1927, and will be driven to reverse its position when it becomes clear that stocks have been more profitable investments than cash irrespective of the business outlook? The law of action and reaction is perhaps the most powerful of all influences on stock prices. It would seem potentially dangerous to ignore this law as well as the presence of real investment value in deference to fears of a cyclical decline in business at a time when these fears have already become very widespread.

Loftus Exec. V.-P. of R. S. Dickson

Edgar J. Loftus has been elected executive Vice-President and a member of the Board of Directors of R. S. Dickson & Co., Inc. Mr. Loftus, who will also serve on the Executive Committee, makes his headquarters in the firm's New York office, 30 Broad Street.

Edgar J. Loftus

Investment Course Offered in Moose Jaw

MOOSE JAW, Sask.—In collaboration with the Investment Dealers Association of Canada the Moose Jaw Technical High School is offering an investment course which started March 17 and will run to April 28. The course opened with an enrollment of 82.

The lecturers are J. A. MacNight, James Richardson & Sons; R. E. Beale, Wood, Gundy & Co. Ltd.; N. R. Edwards, James Richardson & Sons; H. S. Hopper, James Richardson & Sons; A. T. Little, Nay & James Ltd.; and F. B. Putney, Houston, Willoughby & Co. Ltd.

Intertrust Corp. Formed

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Intertrust Corporation has been formed with offices at 714 South Hill Street to engage in a securities business. Officers are James Roosevelt, President; John Sargent, Vice-President, and Merwyn C. Plumley, Treasurer. Mr. Roosevelt was previously associated with Protected Investors of America.

Whitney, Goadby Admit

H. N. Whitney, Goadby & Co., 49 Wall Street, New York City, members of the New York Stock Exchange, will admit Courtlandt D. Barnes, Jr., to partnership on April 1st.

With Paine, Webber

(Special to The Financial Chronicle)

DETROIT, Mich. — Aurelian F. Wigle is now affiliated with Paine, Webber, Jackson & Curtis, Penobscot Building.

Guilliam B. Demarest

Guilliam B. Demarest, limited partner in Shufro, Rose & Company, New York City, passed away on March 17th.

Studies Potential TV Receiver Demand After Station Unfreeze

Task Force, appointed by W. R. G. Baker, Chairman of Television Committee of the Radio-Television Manufacturers Association, reports on probable impact of TV expansion resulting from lifting of station freeze by Federal Communications Commission. Estimates, on "realistic basis," more than 800,000 additional receivers will be in demand in 12 months period, beginning July 1, 1952.

A task force, consisting of William H. Chaffee, Vice-President of Philco Corporation, as Chairman, together with Admiral D. Foster, representing Radio Corporation of America, C. Wesley Michaels, representing General Electric Company, and Keeton Arnett, representing the Allen B. DuMont Laboratories, was appointed last November by W. R. G. Baker, Chairman of the Television Committee of the Radio-Television Manufacturers Association, to study and report on the impact of television expansion which might result from the lifting of the station freeze by the Federal Communications Commission. The task force summarized its conclusions as follows:

Dr. W. R. G. Baker

"(1) The requirements for TV transmitters, amplifiers, cameras, studio equipment and antennas can be met from present inventories of equipment and the current rate of material allocations to manufacturers of this equipment.

"(2) The requirements for construction materials for buildings and towers can be reduced by utilizing existing structures to amounts which can be provided under self-certification NPA regulations.

"(3) There will be an increased demand for TV receivers which may not be completely satisfied by the industry's programmed production. However, a continuation of first quarter NPA allotments of critical materials will permit extension of TV service to more people in more areas."

Regarding potential increase in television receiver demand that should result from the lifting of the FCC freeze on TV stations, the Task Force presented an "optimistic" estimate, which exceeded 1,660,000 new receivers, and a "pessimistic" or low estimate of approximately 750,000 during the 12 months following July 1, 1952. It then offered a further "realistic" or compromise estimate of roughly 811,000 receivers. Concerning these estimates, the Task Force report states:

"There are three results of the lifting of the freeze which might be presumed to bear on the demand for television receivers—power increases for existing stations which expand the service area, new UHF and VHF stations in new areas, and new UHF and VHF stations in existing areas. Each of these possibilities has been studied and a potential receiver demand by quarters has been developed. The total potential increased demand, related to the three basic approaches was calculated:

Total Potential Increased Receiver Demand

	Optimistic Base	Pessimistic Base	Realistic Base
1952 Third quarter	51,168	25,308	23,136
1952 Fourth quarter	203,430	119,214	106,560
1953 First quarter	506,016	236,436	246,858
1953 Second quarter	899,574	370,656	434,358
TOTAL	1,660,188	751,614	810,912

"The methods used to develop these figures are discussed in the report. The approach used in each case was: First, a determination was made of the order of priority which FCC might assign to CP grants. Second, the probable population of the affected areas was estimated. Third, this figure was reduced to family units as representing the potential TV receiver market. Then a rate of receiver sales in this potential market was estimated."

W. O. Nisbet Pres. Of Interstate Secs.

CHARLOTTE, N. C.—W. Olin Nisbet, Jr. has been elected President of Interstate Securities Corp., Commercial National Bank Building, succeeding Jonathan G. Gullick who has resigned to become President of the newly formed Sterling Investment Fund, Inc. Mr. Gullick will continue as a director of Interstate Securities Corp., which will manage Sterling Investment Fund, Inc.

Mr. Nisbet was one of the organizers of Interstate Securities Corp. and has been associated with it since 1932, serving continuously as an officer and director. Interstate has operated as an underwriter and wholesale distributor as well as retailer of both corporate and municipal securities, conducting its business from its home office in Charlotte and its branch office in New York.

Correction

In the "Commercial and Financial Chronicle" of March 20th it was reported that Clyde M. Reedy had left Merrill Lynch, Pierce, Fenner & Beane to become associated with John G. Kinnard & Co. of Minneapolis. Mr. Reedy informs us this is in error as he is still associated with Merrill Lynch, Pierce, Fenner & Beane in St. Paul.

Winslow, Douglas Admit

Winslow, Douglas & McEvoy, 120 Broadway, New York City, members of the New York Stock Exchange, will admit Charles A. Clark, Jr. to partnership on Apr. 3.

Current Possibilities in German Dollar Debt Settlement

By DR. MAX WINKLER
Bernard, Winkler & Co.

Foreign bond authority scores alleged inconsistencies in U. S. invocation of bans against trading in certain enemy nation securities. Rebuts reasons advanced for present prohibitions against trading in German, Hungarian, Bulgarian, Rumanian, and Austrian issues. Insists there has been continuing discriminatory treatment of the United States versus other creditors. For possibilities of coming German dollar debt settlement, suggests pattern of Italian settlement giving new value of about 25% of original investment.

Following America's entry into World War II, against the Berlin-Tokyo-Rome axis and their satellites (Austria, Hungary, Rumania and Bulgaria), the Collector of Internal Revenue handed down a ruling to the effect that all American investments in the securities—insecurities might be a more appropriate designation — of countries with which the United States was at war, may be written off as a complete loss. The text of the ruling follows:

Dr. Max Winkler

"In accordance with the provisions of section 127(a) (2) of the Internal Revenue Code, as amended by section 156 of the Revenue Act of 1942, the cost or other basis of all German, Italian and Japanese Government bonds and bonds issued by municipalities, States and other subdivisions of those countries, is fully deductible in the year 1941 as of the respective dates war with Germany, Italy and Japan was declared by the United States, the losses being considered to be in the nature of casualty losses.

"In order for a taxpayer to avail himself of the benefit of the losses, a claim for refund on Form 843 should be filed with the Collector of Internal Revenue for the district in which his return for 1941 was filed, in accordance with the provisions of section 322(b) of the Internal Revenue Code, as amended."

The above decision followed the issuance by various governmental agencies (State, Treasury, Securities and Exchange Commission) of a ban upon all trading or dealings in the securities of enemy nations. It was difficult at the time to understand fully the logic which underlay the reason for the prohibition. If it was prompted by belief that continued trading in "enemy" bonds or shares would afford him (the enemy) aid and comfort, why did not Great Britain follow America's example? The ban was especially puzzling to those who recalled that throughout the '20s—the halcyon days of foreign lending—underwriters were persuaded to insert into all loan contracts a stipulation to the effect that "payments will be made in time of peace as well as in time of war, to all holders irrespective of their nationality."

Should one conclude from the foregoing that safeguards designed to protect the American investor were, to some degree, like certain clauses in insurance contracts which afford protection only so long as nothing happens?

Inconsistent Action

That the action was rather inconsistent was evidenced by the fact that despite the ban upon dealings in enemy loans, certain issues which were to all intents and purposes, enemy issues, continued to be dealt in. To illustrate: German bonds could no longer be traded, but bonds of the Hugo Stinnes companies (Hugo Stinnes Corporation 7s and 4s and Hugo Stinnes Industries, Inc. 7s and 4s), virtually all of whose assets were German, continued to be listed and dealt in on the New York Curb Exchange. Italian bonds were delisted and trading in them prohibited; but bonds of International Power, backed almost entirely by mortgage bonds of Italian utility concerns, continued to be traded in, as were the bonds of Italian Superpower whose assets comprised almost entirely, shares of Italian utility companies. Trading in Hungarian loans was banned, but bonds of Kreuger-Toll, backed by deposits with an American bank of bonds of the Hungarian Land Reform Society, a Hungarian Government owned institution, continued to have a legitimate market. Trading in Austrian bonds was forbidden, but dealings in bonds of the European Mortgage and Investment Corporation, issued against Austrian loans, backed almost exclusively by Austrian assets, was permitted.

In point of fact, trading in German, Hungarian, Bulgarian, Rumanian and Austrian issues is still prohibited, presumably because the American investor whom his government is at all times anxious to protect, is not in a position to secure all the data which might enable him intelligently to evaluate the status of his investments. In theory, this may be valid reasoning, but for all practical purposes, it does not make sense. Let us assume that an American investor acquires the bonds of a German debtor (government, state or city) and that the purchase was aided by impressive data supplied by such debtor. Suppose further that such data are erroneous or inaccurate. Is the investor in a position to enforce his claim? Can the Commission which presumably watches over the American investor do anything on his behalf? Then again, is it not true that statistically solvent debtors are not necessarily those who always meet their debts promptly?

Rebutting Fear of Russian Theft

It has always been argued that large quantities of German and American bonds may have gotten into the hands of the Russian Army of Occupation and the resumption of trading would aid Moscow in its search for foreign exchange, notably dollars. It is curious that a somewhat similar reason was advanced 10 years ago when the bonds were delisted, except that the unlawful owner was the German Army of Occupation. One will also recall that the Japanese Army was believed to have appropriated Japanese dollar bonds unlawfully in the early years of the war, which accounted, in a large measure, for the delisting of Japanese issues. Since all bonds of "enemy" countries, including those of Japan and Germany, continued to be dealt in on the London markets, it would seem that for reasons which are difficult, if not impossible to explain, the two warring nations, Germany and Japan, preferred to get possession of bonds listed in the New York markets, ignoring those traded in on the London Exchange.

No doubt the feeling in U. S. official circles about the Russians today is similar to that about the Germans and Japanese 10 years ago. Since German financial institutions are known to have owned sizable amounts of various international securities, is it not reasonable to assume that many of these might have gotten into the hands of the Russians when they took over, at Berlin and other German centers? If the U. S. investor is to be protected against fraudulent or stolen securities, appropriate measures could doubtless be devised to afford the investor all the protection he needs or is entitled to. The real reason for the continuance of the ban on enemy issues is in all probability the stubbornness of officialdom which, having erred once, refuses to admit its error and make amends, in disregard of the well-known Latin dictum—

"Errare humanum est; sed in errore perseverare non est ignoscendum."

(To err is human; but to continue in error is unforgivable.)

Confusion of the American investors is further confounded by the continued prohibition of trading in German dollar issues and the resumption of dealings in German Internals, both bonds and shares, as well as in all other types of German investments. Why should the Commission who watches over the American investor, consider it safe to purchase German internals and hazardous to buy dollar bonds? If it is true that one of the reasons for the continued ban on dollar issues is the possibility that many may have been obtained unlawfully by the Russians, is it not reasonable to assume that this may be even more so in the case of German internals?

At any rate, one of these days, trading in all German issues will doubtless be resumed. The American investor, who in theory, is receiving more protection than his continental cousin, will have lost out. The British trader who has seen German loans advance from purely nomial figures to as high as 60 and 70, has been in a position to take advantage of markets which the American investor was prevented from doing. When German loans will officially be reintroduced in the American market, the main speculative attraction will have been eliminated. The British and other Europeans who had purchased German bonds for small fractions of their present prices, will doubtless be able to sell them to the American investor (sic) at very handsome profits. One may recall that a similar situation obtained in connection with the reintroduction of Japanese issues in the American markets.

Size of Outstanding German Debts

German dollar debts, comprising loans of the Federal Government, direct and contingent, of states, cities, corporations and religious establishments, are outstanding at more than three-quarter billion dollars. In most cases, the default dates back to 1936. Interest in arrears as of Jan. 1, 1952, at contractual rates, is placed at over $600 million. Thus, Germany's total dollar debt, outstanding in the hands of American investors, may be placed at well over $1⅓ billion. It should be noted that it is difficult to ascertain with precision the amount of

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How Can Bank Shares Be Made More Popular?

By MORRIS H. SCHAPIRO*
M. A. Schapiro, Inc., New York City

Commenting on need for wider acceptance of bank shares by investors, Mr. Schapiro points out dual responsibility of bank managers to both depositors and stockholders, and insists banks must produce profits large enough to justify investment in their shares. Cites need for additional bank capital, and urges more information be given by banks to their shareholders, in "full and frank reports." Concludes opportunities exist for wider investment acceptance of bank shares and in better relationship of banks with government.

"What can we bankers do to further the acceptance of our shares among investors?" This question was raised recently by a distinguished banker, former President of the American Bankers Association. It is now being asked generally. Involved in the answer are issues fundamental to the future of private banking. These issues are especially important today when banks, beset with high costs and difficult taxes, are in need of additional capital. Wider acceptance for bank shares is clearly desirable.

Morris A. Schapiro

I have been talking with people in the investment business, brokers, dealers, and analysts. Their interest is twofold. The first is their immediate concern that a commodity they deal in shall do well, and second is the larger issue, the healthy functioning of independent private banking, so essential to the country's future I am glad to have the opportunity to discuss these matters with you.

Some bankers ask, "What difference does it make to us how our shares are regarded?" The fact is, many of today's banking problems would be simplified if bank shares were generally popular among investors. Perhaps the most important of these problems is the growing need for additional capital. Of course, if bank shares were a sought-after investment, this problem would not exist. Money is always available for safe and profitable investment.

General investor interest means broad markets. Broad markets mean widespread distribution. The more diffused the ownership, the more assured its continuity. More important than the stability of individual banks is the strength which widespread ownership brings to the entire private banking system, economically and politically.

But, apart from the advantage to banks of broad markets for their shares, we should consider the fundamental relationship of management to stockholders. Privately-owned banks exist only because stockholders are investing their money.

There is no disagreement over the dual responsibility of management both to depositors and stockholders. However, we must never overlook the fact that independent banks will continue to operate only so long as investors are willing to assume ownership as shareholders. What is the importance of this willingness to assume ownership? It is the difference between a banking system operating with capital supplied by a voluntary association of investors and a banking system with capital obtained through enforced conscription of taxpayers' money. It is the difference between the thing we are for and the thing we are against.

Shareholders Should Have Profits

In this voluntary association, each shareholder pledges his investment to stand between managements' errors of judgment on the one hand and impairment of the community's deposits on the other. In effect, shareholders say to management: "Charge us with the losses, charge us with the expenses, but income after these charges and after Federal taxes should produce a profit large enough to justify our investment."

We know that Federal income and excess profits tax laws are making it increasingly difficult for bankers to justify their stockholders' investment. Bank shares are quoted at a discount from book values. New capital is hard to attract, almost impossible without penalty terms to stockholders. Yet banks must find additional capital. Bankers are meeting this critical situation. They have already presented their story effectively to stockholders and Government agencies. As a result, the Federal Reserve Board is currently studying the tax situation at the banks. There is reason for hope that its findings will lead to correction of existing inequities.

Meanwhile, stockholders are weighing their investment. If operating results were adequate, their money would not be at a discount in the marketplace. With bank shares at a discount in good times, stockholders ask what is the future for their investment. They have no dual interests. They are not making a career of banking. They are not wedded to their investment.

Stockholders elect directors to protect their investment and make it profitable. The relationship of management to stockholders is one of trust. A simple requirement of this fiduciary responsibility is full and faithful reporting to stockholders. This responsibility of directors has been incorporated in regulations of the SEC with respect to corporations whose securities are listed on national exchanges. However, bank management is not relieved of the responsibility of meeting this requirement for listed shares just because bank shares are not listed on national exchanges. On the contrary, banks should not only meet this requirement but go beyond it. An increasing number of banks do.

Fifty years ago, when ownership was concentrated and bank shares were a rich man's investment, management and ownership were nearly identical. Public disclosure of operating results was therefore less important. Today, with bank ownership no longer concentrated in the hands of management, stockholders have no way of knowing how their banks are doing except by published reports. Most alive and progressive banks recognize this and the trend toward informative reports grows as management realizes that the withholding of material facts is a breach of trust. When informa-

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*An address by Mr. Schapiro at the 15th Annual Reunion of the Graduate School of Banking, Rutgers University, New York City, March 15, 1952.

Defense Program Dictates Use Of New Stabilization Media

By LEON H. KEYSERLING*
Chairman, Council of Economic Advisers

President's leading economic adviser, contending traditional theory of monetary policy has little relevance to present dynamic economy, upholds Treasury and Federal Reserve accord, and Administration's control measures. Points out prime problem is how much of our productive power and resources should be allocated to national defense. Says security program is not impairing our basic economic or financial strength. Urges concentration on more production, giving priority to national needs. Upholds low but flexible interest rates, and concludes current and foreseeable economic situation calls for an "admixture of economic tools."

I welcome this opportunity to discuss before you the role of monetary policy and the management of the public debt in achieving price stability and high-level employment. By high-level employment, we must mean the fairly consistent expansion of employment opportunity, because our labor force grows greatly from year to year. And since our technology is dynamic, our productive power tends to increase more rapidly than employment. With manpower and technology both advancing, our economy must expand in order to be stable. It cannot be stable by standing still. In addition to a stable and growing economy, we must make sure that our resources are being devoted to necessary purposes, and these change with the times. For example, if we now had a stable and growing economy without any defense program, we would be living in a fool's paradise.


Leon Keyserling

Monetary policy and debt management are not ends in themselves. They are specific instruments which can be used wisely only in the context of the functioning of the economy as a whole, the objectives to which we now adhere as a nation, and the relative urgency and priority of problems arising in our economy under the threatening current of world conditions. Consequently, I believe that I can be most helpful to the Committee, not by commencing with a technical discussion of monetary and debt management problems, but rather by outlining first what seem to me the most salient features in the current and foreseeable economic situation under a national policy of building our defenses, and then in this perspective evaluating the practical range and nature of relevant monetary and debt management policies.

For example, the size and pace of the defense program, its effect upon the disposition and utilization of our economic resources, and the specific character of the problems it imposes upon the whole economy, are vitally important starting points for a consideration of specific economic measures, including monetary and debt management policies.

These considerations seem to me doubly valid because much of the traditional theory about monetary policy, sometimes recited out of context, found its original roots in the minds of philosophers rather than practical economists. These men sought to describe a static and perfectly consistent economic system, which probably never existed in the world of reality, and which in any event has little relevance to the dynamic American economy of today and to the entirely novel and rapidly moving problems with which we must now deal. One of the reasons why monetary officials in recent years have not pursued some of these theories relentlessly to their logical results has been, not that others prevented them from doing so, but rather that they themselves have shrunk from the appalling practical consequences of such action.

This may explain why the differences in viewpoint concerning monetary policy and debt management, expressed by those charged with practical problems and public responsibility, have not been so great as the differences expressed by some commentators in search of sensation and by some theorists not challenged by the duty to act.

So far as I have been able to observe, the differences between what a responsible Treasury official and a responsible Federal Reserve official would actually do under current conditions, if either had complete authority to do as he pleased, are small differences contrasted with their magnification by those who are not sobered by imminent and vital responsibilities to perform.

The evidence already brought before this Committee that the Secretary of the Treasury and the Chairman of the Federal Reserve Board, and their associates, have sought to reach working agreements, is not hard to explain. This development has not resulted from compulsion, either by the Congress or by the President. It has resulted from the compulsion of economic reality, based upon looking frankly at conditions both at home and abroad. Economic conditions at home do not leave a very wide range of election in monetary and debt management policy. While there may still be some shadings of emphasis, the underlying situation and the limitations which it imposes upon novel experimentation or wide deviation from a fairly well established course make it only natural that men in positions of active responsibility should be anxious and able to reconcile their views. And conditions abroad make it apparent to all men of good will that the American people and their public officials must do their best to pull together in a common cause.

I can find nothing suspicious or surreptitious in the fact that the Secretary of the Treasury and the Chairman of the Federal Reserve Board are trying, and it is to be hoped successfully trying, to harmonize their views. All that this proves to me is that Mr. Snyder and Mr. Martin, and their associates, are sensible, hardheaded, experienced, and patriotic men.

Economic Problems Confronting Nation

I shall endeavor, if it please the Committee, to commence with a general description of the economic problems now confronting this nation in the course of a defense effort novel both in character and purpose. I believe that only in this perspective can the more specialized problems of monetary policy and debt management be intelligently depicted or intelligently solved. Some of the fuss and fury stirred up in these specialized areas has resulted from looking at a few trees without surveying the forest.

Proposition No. 1 is that our transcendently important economic problem today is how much of our productive power and economic resources should be allocated to national defense.

Obviously, the size and pace of the defense program most importantly affects the degree of inflationary pressures, the fiscal situation of the government, and the entire range of economic policies worthy of serious attention.

By national defense, I mean the whole range of programs which reflect our undertakings to enlarge the mutual security of the free world.

Consistent with a position that I have always taken, I voice no opinion as to how large or how fast these undertakings should be from the viewpoint of national security. I may have views on this as a citizen, but in my role as Chairman of the Council of Economic Advisers I have nothing to offer which can compete with the superior judgment of those in our defense and international agencies, subject to the ultimate judgment of the President and the Congress.

But I feel compelled to raise my voice as an economist in the public service when I witness the growth of a strong, if not predominant, sentiment that our security program as a whole must be drastically reduced in order to maintain a strong economy. The clear facts since the original Korean aggression, and the weight of judgment now as to the economic outlook, simply do not support the proposition that we must slash the security program to protect our economy.

The primary test of whether a security program of given size and pace, in a long period of partial mobilization, is weakening or impairing our general economic strength, cannot be determined by looking only at the dollar value of the security program, nor by looking only at the deficit in the Federal Budget, even though these be important considerations. The primary test of the impact of the security program upon our general economic strength involves these three paramount questions:

(1) Is the security program, through its drain upon our resources, leaving or threatening to leave our business system with inadequate resources or incentives to safeguard and advance that productive power which is the ultimate source of our economic strength?

(2) Is the security program imposing such strain or deprivation upon consumers as to weaken the strength or morale of our people —155 million strong?

(3) Is the security program, by its very nature, incompatible with the protection of the nation against further inflation, assuming that we do not want to resort, during a long period of partial mobilization, to a scope or intensity of controls which in the long run might impair our productive power or corrode our basic freedoms?

By none of these three paramount tests can respectable evidence be adduced that the now contemplated security program is excessive from the viewpoint of the economist, if it is not excessive from the viewpoint of its primary purpose to make us as secure as we can reasonably hope to be in a threatening and uncertain world.

Our Productive Strength Not Impaired

It can hardly be argued that the security program is in process of impairing our basic productive strength. In 1951 gross private domestic investment was at an annual rate of approximately $59 billion, contrasted with about $52½ billion in 1950 and about $47½ billion in the previous peak year 1948. All comparisons are in terms of 1951 prices. Investment in producers' durable equipment, which is at the heart of our productive strength, was above $27½ billion in 1951, contrasted with about $24½ billion in 1950, and about $23 billion in the previous peak year 1948. The growth of our productive strength has been even more impressive, when measured by facilities and supplies in certain key areas, such as steel, aluminum and electric power. In fact, the pertinent issue with respect to private capital formation in 1951 was not whether business had available the materials, the manpower, the funds, and the incentives to build adequately our productive strength, but rather whether capital formation was proceeding at a higher level than desirable.

Nor can it be argued that the security program is in process of reducing consumer supplies below satisfactory levels. With the possible exception of 1950, the year 1951 witnessed the highest level of consumer supplies on record. A few things, such as housing and automobiles, were produced at a somewhat lower level than in 1950, but at a much higher level

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*Statement by Mr. Keyserling before Subcommittee on General Credit Control and Debt Management of the Joint Committee on the Economic Report, March 12, 1952.

Needed: An Effective Anti-Inflationary Program

By JOHN F. FENNELLY*
Partner, Glore, Forgan & Co., Chicago, Illinois
Members of the New York Stock Exchange

On behalf of the Investment Bankers Association, Mr. Fennelly pleads for a united attack on inflationary trends through: (1) more economy in government; (2) a balanced budget; (3) a policy of the Treasury that offers its securities at rates high enough to attract nonbank investment, and (4) an independent Federal Reserve System. Cites as errors in Treasury financing: (1) issuance of savings bonds redeemable on demand; (2) failures to refund large part of short-term debt in immediate postwar years, and (3) pegging of interest rates on government securities.

The investment banking industry is seriously worried by the continued and long range inflationary trends in the economy. A really effective anti-inflationary program calls for a concerted and united attack on several fronts. It calls for the team work of the Executive, the Treasury, the Congress and the Federal Reserve System. It must embrace:


John F. Fennelly

(1) A really sincere move for economy in government through the curtailment of non-essential expenditures.

(2) A level of taxation sufficiently high in rate and broad in base to produce, in combination with curtailed expenditures, a budget balance.

(3) A willingness on the part of the Treasury to offer its securities at sufficiently competitive rates to attract the funds of non-bank investors.

(4) An independent Federal Reserve System free to follow a truly flexible policy of credit action.

The members of the Investment Bankers Association are the middlemen between borrower and lender. We have a responsibility to each but we are concerned mainly with the savings classes of the country represented by insurance company policy holders, savings bank depositors, pensioners, trust beneficiaries and thrifty individuals. It has been through individual saving and investment that our free enterprise system and present way of life have been made possible. The savings of the individual represent the life blood of our economy. If the incentive to save were destroyed, our present system could no longer be preserved. In our opinion, there is nothing that would eliminate the savings incentive more rapidly and completely than a further depreciation in the purchasing power of the dollar. Encouragement to save, in our opinion, can best be achieved in an atmosphere of stability in the currency and the economy, an atmosphere in which the preservation of the buying power of the dollar will foster a rising standard of living.

Question of Credit Restraint

We recognize that credit restraint or credit control cannot nullify inflationary pressures in areas of the economy over which financial institutions and Federal Reserve authorities have no direct control. The regulation of credit can only check one source of inflationary pressures. In today's economy, however, one of the greatest potential dangers to further inflation is inherent in the expansion that has taken place in the money supply. Basic in this whole problem is the fact that from the end of 1939 to the end of 1945, the huge increase that took place in the money supply for the most part has been frozen into the economy. There has now been superimposed the present huge defense program.

In our judgment, this problem of the money supply can best be dealt with by a Federal Reserve System free from political control and free to pursue a flexible and vigorous monetary policy coordinated with fiscal and other policies directed toward counteracting inflationary forces.

In an inflationary period, the primary objective of the Federal Reserve System should be to restrict the availability of credit. Banks, insurance companies and other holders of government bonds should not be provided with an artificial market in which funds can be obtained to make loans for whatever purpose they choose or to engage in speculative commitments that tend further to add to an inflationary money supply. The policy of credit restriction should be tempered only to the extent that it is necessary to maintain orderly conditions in the government securities market.

During a period of credit restraint, lower bond prices and higher interest rates naturally result and these factors have a real bearing on credit extension policies of financing institutions. Losses in bond accounts are a substantial deterrent to selling, and, at that point, loan applications are much more carefully scrutinized as to purpose than they would be if the funds to lend could be obtained in pegged markets.

This background of thinking prompted the Investment Bankers Association to adopt the following resolution at its December meeting:

"Resolution: The Investment Bankers Association strongly supports the maintenance of a Federal Reserve System whose policies are independent of the Executive branch of government and are guided by the responsibilities delegated to the System by the Congress—a Federal Reserve System free to pursue the principal purpose for which it was created — the regulation of the supply, the availability and the cost of money with a view to contributing to the maintenance of a high level of employment, stable values and a rising standard of living."

Important progress toward the restoration of an independent Federal Reserve system has been made since the accord was reached between the Treasury and the Board in March of 1951. During the past year we have had a flexible open market policy resulting in a more realistic approach toward controlling the availability of credit. Nevertheless, it is our view that the present accord represents an uneasy truce.

It is our sincere conviction that there is nothing inherent in the respective functions of the Treasury Department and of the Federal Reserve Board which must lead to conflict between these two agencies. In our opinion, the recent controversy was primarily an outgrowth of unsound policies of debt management by the Treasury during the past 10 years.

Errors in Treasury Financing

One of the original errors, it seems to us, was the creation of Federal savings bonds which were made redeemable on demand at fixed prices. As long as the amount of such bonds outstanding was relatively small they did not constitute a serious problem. This situation was radically changed, however, during World War II by the development of these savings bonds into the chief vehicle for individual investment in government securities. There was thus created a tremendous demand liability which has made the Federal debt structure exceedingly vulnerable to changes in interest rates. We do not mean to imply herein a criticism of government savings bonds as a satisfactory medium for individual investment. We merely wish to emphasize the inflexibility of a debt structure with a large percentage of the total in the form of a demand liability frozen to a fixed interest rate.

The second serious error was the failure of the Treasury to take advantage of the opportunity to accomplish a major funding of the short-term debt during the immediate postwar years. I felt so strongly on this subject that I addressed a letter on Oct. 22, 1946, to Mr. Edward F. Bartelt, Fiscal Assistant Secretary of the Treasury, from which I should like to quote the following excerpts:

"In brief, I am convinced that the United States government is confronted by an urgent need, and, at the same time, a golden opportunity to fund a substantial portion of its huge short-term debt. The immediate objective of such a funding operation, of course, would be to convert as large a portion as possible of the short-term obligations now in the hands of commercial banks into long-term bonds in the hands of non-banking investors.

"In stressing the urgency of this need I wish first to point to the analogy between the position of our government and that of a private corporation which has incurred short-term bank indebtedness far beyond its ability to retire in the normal course of business. To even the most elementary student of business finance the highly vulnerable position of such a corporaiton would be obvious. Equally clear would be the urgent need for a funding of this excessive debt into long-term obligations, or its retirement through the sale of capital stock at the earliest practicable opportunity.

". . . . As long as we have outstanding such an enormous mass of floating debt our whole financial structure will remain in jeopardy. This danger is further highlighted by the current unsettled state of world affairs and the possibility of another major war. Certainly if we regard it necessary to spend more than $13 billion annually in direct military preparations, the need should be equally obvious to put our financial house in the strongest possible position to withstand any storms."

In discussing objections to a program of debt funding, I also called attention in my letter of Oct. 22, 1946, to the widespread belief that our so-called "money managers" had finally learned the

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*Statement by Mr. Fennelly before the Subcommittee on General Credit Control and Debt Management of the Joint Committee on the Economic Report, March 17, 1952.

Sound Money, Arch of Freedom—Unsound Money, Tool of Tyrants!

By JOHN J. ROWE*
President, Fifth Third Union Trust Company, Cincinnati, O.

Warning rapidly mounting government expenditure is clear evidence of unsound use of money, and can lead to tyranny, Midwest banker contends so-called welfare legislation, along with "too much government," which increases government outlays, is cause of inflation and bureaucracy. Urges repeal of "law after law" whcih expands government spending, and cutting off the money supply by using a hatchet on the budget. Says fundamental cause of inflation is taking too many people off production and putting them on public payroll, thus "robbing Peter to pay Paul." Advocates return to gold standard.

The present Patman inquiry on the subject of money, the Federal Reserve Banking System and its proper relationship with the Treasury Department of the United States Government, should be a vital inquiry striking at what I believe to be the heart of American economy and the heart of American freedom. I fear that it will be so verbose and so full of sheer opinion, expressed as fact, that it may really increase the present muddled state of affairs rather than result in any really sound conclusions.


John J. Rowe

I think we all agree that the freedoms which our ancestors won when we gained freedom from Old World domination, and which were expressed in the Declaration of Independence, and later in the Constitution as originally adopted, have been slowly and persistently diminished, particularly since the early 1930s.

We all know that the cost of government in this country from 1789 to 1933 was, in round figures, $112 billion; that from 1934 to 1945, in a span of 12 years, the total for that period reached $375 billion, or almost 3½ times as much in 12 years as our cost of government for the preceding 144 years. We realize that in the last six years, the total cost of government has been $259 billion.

These figures demonstrate not only the increased cost of government, but the fantastic growth of bureaucracy, the steady and persistent withdrawal of literally hoards of people from the force of producers in this country into the force of pencil-pushers.

Taxes are expressed in dollars; income is expressed in dollars; volume of business is expressed in dollars, and therefore, I think it is fair to say that sound money is the cornerstone of freedom, and that when expenses of government mount as they have in this country, it is clear evidence that it is an unsound use of money and that, historically, he who controls the purse controls the people's lives; that we have encouraged, permitted and allowed this unbelievable money power to be placed in the hands of the few, and that money has been this instrument to have the few seize a power over this nation which is in complete opposition with the principles for which the Revolution was fought.

Historically, it is an old, old story. Athens and Sparta became Republics, shook off the tyrants, but they failed to have untiring effort to preserve their freedoms and decline set in. The Roman Empire became a republic of sorts and prospered, but when tyranny took charge again, we all know the way the Empire crumbled. The Rise and Fall of the Roman Empire is a perfect example of a short-lived flame of freedom which prospered but gradually merged into tyranny and inevitable decay.

I think it is an abundantly fair statement to make that up to date history has steadily repeated itself. There have been intervals of freedom in many, many places, succeeded by what might be called totalitarian tyranny.

The signers of the Declaration of Independence literally took their lives in their hands and staked their fortunes for the cause of freedom, but apparently with the loud acclaim of the four freedoms we have lost most of the freedoms in the last 20 years that had been scrupulously preserved from 1789 to 1933.

We have offered to us from platforms, essays, and over the radio countless panaceas — frequently sheer opinion expressed as fact.

The Root Must Be Attacked

I wish to endeavor to attack the root of the matter . . . the fundamental means which have been employed in what I personally believe to be an effort, whether consciously or unconsciously (who can say?) to undermine the conception of personal liberty and our human right to freedom in this country. I offer the opinion that money has been the major tool employed for this purpose. I offer the fact that most of us have a tremendously wide variety of opinions as to the fundamental causes of this change in the American way of life, and I would like to offer a few well expressed opinions.

About 150 years ago, Hegel wrote:

"Peoples and governments never have learned anything from history, or acted on principles deduced from it."

Turning to a modern novelist, Wm. Somerset Maugham said the following:

"If a nation values anything more than freedom, it will lose its freedom; and the irony of it is that if it is comfort or money that it values more, it will lose that too."

Plato, approximately 400 years before Christ, made the following statement:

"The people have always some champion whom they set over them and nurse into greatness — this and no other is the root from which a tyrant springs; when he first appears he is a protector."

We hear statements from government in this country constantly, or from those advocating some new legislation, that a given piece of legislation is absolutely essential to protect various classes of citizens. Plato recognized, over 2,000 years ago, that that same argument had always been used. The modern technique is to call it welfare rather than protection.

William Shakespeare, 350 years ago, outlined our foreign aid and

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*An address by Mr. Rowe, before the Rotary Club, Springfield, Ohio, March 17, 1952.

Federal Legislation and The Security Market

By G. KEITH FUNSTON*
President, New York Stock Exchange

Answering question, "Does New York Stock Exchange operate in public interest?", Mr. Funston defends its organization, rules and operations. Says no business is more strictly regulated, and contends Exchange is essential to our capitalistic system. Denounces artificial barriers to free markets, citing current margin requirements and capital gains holding period, and deplores proposed SEC taxes. Cites need for additional domestic capital investment and for better facilities for private overseas investment. Recommends, as changes in Security Acts: (1) exemption of brokers executing unsolicited orders in securities under registration; (2) exemption from prospectus requirements of listed securities when sold on agency basis; (3) permitting loans on new securities when sold on unsolicited basis; and (4) reduction of "waiting period" on new issues of listed securities to ten days.

There is no doubt in my mind—and I trust there is none in yours—that the New York Stock Exchange is indispensable to the national economy. Anything we can do to improve the climate in which the Exchange functions is important to the entire nation.


G. Keith Funston

Listed on the New York Stock Exchange are approximately 2,500 issues of stocks and bonds, representing the ownership and debt of almost all the leading corporations in this country. The market value placed upon these securities by the investing public amounts to nearly $208 billion. There is hardly a family in the United States which does not have an interest, directly or indirectly, in the securities for which the New York Stock Exchange provides a free and open market.

One of the prime requirements for an investment security is marketability. The need for marketability for securities was the reason why the Exchange was founded 160 years ago. It was organized to provide a market place where investors of that day could freely buy and sell stock issued by the Government to refund the cost of the Revolutionary War.

The need for marketability for securities is just as great today. It is axiomatic that the willingness to risk has a direct relationship to the ability to limit loss, on the one hand, and to realize profit on the other. The marketability provided by a securities market such as ours is essential to facilitate the flow of capital into business enterprises.

Our capital markets have a highly important part to perform in our free and enterprising business system. The New York Stock Exchange can best perform its part in two ways: First, as an efficiently operated market place; second, constantly to improve the investment mechanism which it provides.

Under its own rules and regulations and those of the Federal Government, I think it is fair to say that the New York Stock Exchange today provides a more efficiently operated market place than ever before in its history. This does not, of course, imply that the present machinery cannot be perfected further. I feel strongly that it can be improved. The responsibility for achieving this objective is one common to the Exchange itself, the Congress and the Securities and Exchange Commission.

For our part, we must continue to provide a market in which investors have confidence and where they can buy or sell securities most advantageously—not only in good times, but in times of stress.

The SEC, for its part, must see to it that the law which it administers is applied capably and with the least possible interference with the free functioning of the law of supply and demand.

The SEC must continue to realize that an industry which is alert to its responsibilities and aware of its obligations to the general welfare is by far the strongest ally which the Commission can have in meeting its own responsibilities.

And may I express the hope that appropriate Committees of Congress will reexamine periodically in the future, as objectively and carefully as this (Subcommittee of the Committee on Interstate and Foreign Commerce) is doing, the effect of Federal legislation on the securities markets.

New York Stock Exchange Under Severe Regulations

Does the New York Stock Exchange operate in the public interest? Does it adequately safeguard and protect the interests of those who depend on its proper functioning? Those are questions in which I know you are intensely interested.

There is probably no business in the world which is regulated more strictly than the New York Stock Exchange. This regulation, by itself and by the SEC, extends to the very roots of the Exchange. It applies with equal stringency to members and member firms of the Exchange, to all partners and to employees of member firms.

Far from resenting the strict rules which guide it, the Exchange prefers to operate in a gold-fish bowl. This policy has its advantages. We know that the more people see and understand the practices and standards of the Stock Exchange, the more they will realize that it is a vital part of their everyday lives and merits their confidence accordingly.

As you know, the Exchange itself neither buys nor sells shares, nor does it in any way establish prices. The Exchange is a non-profit organization, an association of brokers who have qualified for membership. The income which it must have to operate does not increase when share prices rise, nor decline when prices decline. The interest of the Exchange in prices of securities bought and sold on this market place is to do everything within its power to see that prices are arrived at fairly, openly and honestly through the medium of a free, two-way auction procedure, and to publish those prices promptly for all to see. The public could demand no greater protection; the Exchange would countenance nothing less.

To safeguard the interests of the investing public—and I would be less than candid if I did not mention also our own interest—the New York Stock Exchange prescribes rigid capital minima which its member firms must meet to carry public accounts. In addition, such firms must answer at least three searching financial questionnaires every year, one based on a surprise audit by independent public accountants. Exchange examiners visit member firms and spot-check their books and records for observance of Exchange, Federal and State regulations. Weekly reports must be made of the commitments and positions of member firms resulting from underwritings. Borrowings or loans by firms or their individual partners must be disclosed.

These are only a few of the financial standards established by the Stock Exchange. The rewards of this self-supervision are evidenced by the fact that Exchange member firms have a solvency record which tops even that of the nation's banks. In the past half-century this solvency record has averaged 99.77%, as against a figure of 98.49% for all state and national banks. For the past 14 years the Exchange member firms' solvency record has been a perfect 100%.

The 33-man Board of Governors of the New York Stock Exchange, of which I am one, exercise complete control over the admission of members to the Exchange and of partners to member firms. The board can fine, suspend or expel a member or a general partner of a member firm.

I would be the last to deny that, 20 years or more ago, there were abuses in the securities markets. Fortunately for everyone, those days have gone, and no thinking person would have them return. Anyone trying today to turn the clock back would not last long.

Exchange Essential to Risk Funds

Although the New York Stock Exchange is not in itself a source of new equity capital—of risk funds essential to developing new industries and enlarging productivity—the flow of new capital soon would halt without it. If there were no Stock Exchange—no national market place where people could turn their investments into cash at will—investors would soon find financing any new ventures, no matter how promising, increasingly difficult.

Even though the investment banking industry has built up an efficient mechanism for the sale of securities, that mechanism alone is insufficient to carry out the task of distribution completely.

As a general rule, when the primary distribution of a new issue of securities has been completed, the number of investors in that company is comparatively small. These are the investors who are willing to put their savings into new enterprises which have not yet developed a widespread public appeal. As new securities become seasoned, however, they may qualify for listing on the New York Stock Exchange. That step makes the securities more attractive to more people and enables the holders of those securities, if they wish to do so, to liquidate their investment in a national market place and to put the proceeds into another new enterprise.

History and common sense teach us that an active market—one in which the average daily turnover has some reasonable relationship to the number of shares listed and to the general business trend—is a healthy market. The more bids there are to buy and the more offers there are to sell in this nation's market place, the more certain it is that all buyers and all sellers will be assured of its maximum benefits; the more certain it is that the prices recorded on the stock tickers and in the newspapers will reflect the best possible composite opinions of investors all over the country.

Yet the volume of trading on the New York Stock Exchange has not seemed to reflect the public participation that is desirable. Thus far in 1952 the average daily trading volume has run around 1,400,000 shares. This small turnover is all the more startling when related to the fact that there are now more than 2,600,000,000 shares available for trading in 1,076 companies as contrasted with half that number of shares in 825 companies 15 years ago.

I know that I need not stress here the great growth in population, income and distribution of wealth that has occurred in that period.

I think it fair to say—and I am sure you will all agree with me—that no artificial barriers to an essential business activity — and the stock market is a legitimate, necessary and vital business—are justifiable, either by Federal law or any governmental agency.

At the beginning of the current year, collateral borrowings by member firms of the New York Stock Exchange amounted to only three-quarters of one per cent of the market value then of listed shares. This type of borrowing represents loans to finance the purchase of securities on margin.

On Feb. 1, 1926, when compilation of these data was begun, total collateral borrowings amounted then to 10% of the market value of listed shares.

There were some 500,000,000 shares listed on the Stock Exchange on Feb. 1, 1926; today there are more than 2,600,000,000 shares listed. I think these figures establish beyond doubt that business on the Stock Exchange today is largely on a cash basis.

Perhaps high margin requirements constitute one reason why more investors are not using the facilities of the New York Stock Exchange. The Federal Reserve Board controls the amount of credit which may be used for purchase of securities, and its current

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*Statement by Mr. Funston before the Securities and Exchange Commission Subcommittee of the Committee on Interstate and Foreign Commerce of the House of Representatives, New York City, March 24, 1952.

A Plan of General Credit Control And Debt Management

By AUBREY G. LANSTON*

President, Aubrey G. Lanston & Co., Inc., New York City

Asserting it is vital the Federal Reserve be free and exercise judicial judgment, Mr. Lanston proposes two Congressional directives to effect this end, viz: (1) Treasury shall avoid setting terms on its securities that, in opinion of Federal Open Market Committee, might require use of powers inconsistent with credit objectives, and (2) that open market transactions of Federal Reserve, except in extreme emergency, be conducted solely in conformance with these credit objectives. Lays down six points in overall plan, and concludes proper debt management, to be able to counter inflationary or deflationary forces, should provide securities suited to economic needs of period.

I do not represent any group, the views I express will be my own, and I shall be as brief as possible.

Aubrey G. Lanston

My approach is from the premise that you are seeking the best practical solution to the problems that arise from the necessity to manage a huge public debt, in a way that will be consistent with sound credit policy particularly during a period of strong inflationary pressures, a high level of national production, full employment, and a Federal deficit.

Before entering into a discussion of six major points, may I list certain obvious facts so you will know I have not overlooked them?

(A) The Federal Reserve is charged with responsibilities for the availability, use, and cost of its credit, and, therefore, its decisions affect the cost of all credit, including that available to the Treasury.

(B) We have a large public debt, and changes in its ownership can have an important bearing on the money supply.

(C) The public debt must be held by someone.

(D) If the public, including bank and non-bank investors, wishes to divest itself of Treasury securities, only two other buyers may be found; one is the Treasury, if and to the extent it has a cash surplus, and the second is the Federal Reserve.

(E) When the Treasury has an approximate balance or incurs a cash deficit, and the public wishes to divest itself of Treasury securities or is unwilling to fully absorb Treasury deficit financing, there is only one buyer—the Federal.

Two Congressional Directives Advocated

It is from such simple and obvious premises that some suggest a seemingly logical conclusion, namely that the Federal Reserve must underwrite Treasury financing and support the Treasury securities market in the present circumstances and under a variety of others. If such generalizations had to be accepted, it then would follow that the Federal Reserve could not achieve any notable credit restraint in circumstances such as those we face. Much, and persuasive, economic philosophy, and some authoritative professional opinion may support this or similar general conclusions.

It is my belief that the Federal Reserve plays a measurable and constructive role in our efforts to maintain a stable economy. At times this may be through negative action, that is, of insuring that its credit does not add unnecessarily to an enlargement of the money supply during an inflationary period. At other times, its actions may be more positive and direct.

It is vital that the Federal Reserve be free and be encouraged to exercise judicial judgment.

Obviously, the Federal Reserve must take fully into its deliberations the impact of its policies on the psychology and actions of holders of Treasury securities. A high degree of cooperation between debt and credit management is insurance of this, but in the final analysis, Federal Reserve officials must make decisions with respect to the availability, use, and cost of money in a judicial capacity and considering the manner in which the resultant credit policy will affect the economy as a whole. In this, the cost of money to the Treasury is but one of a number of items. Congress wisely provided, in the Federal Reserve Act, that the judgments of Federal Reserve officials be independent of narrow political considerations. The cardinal principle of our control over the money supply is that we treat money as the servant, and not the master of the people.

Two Congressional directives along certain lines could insure that this will remain the case:

One, to the Treasury: The Treasury shall avoid setting terms and conditions on its securities that, in the opinion of the Federal Open Market Committee, might require the Federal Reserve to use its powers in a manner inconsistent with its credit objectives.

Two, to the Federal Reserve: It is the will and intent of the Congress that the open market transactions of the System shall be conducted solely in conformance with its credit objectives, as these are determined by the Federal Reserve Board or the Federal Open Market Committee, after full consideration of desirable public debt ownership; and open market transactions in Treasury securities shall not be used, except during periods of extreme emergency, either to sustain any particular rate of interest on Treasury financing or any particular level for Treasury security prices.

Further, the credit policies of the System shall be conducted in a manner that will permit the normal functioning of the nation's banking and credit activities to be administered by private hands, through instruments and by methods that are impersonal in their application.

Points in Overall Plan

The remainder of my remarks are confined to six points, and **the first concerns certain economic objectives of the Treasury for debt management.** The Secretary, when he outlined his Department's general economic objectives, stated it was Treasury policy to direct debt management so as to counter any pronounced inflationary or deflationary pressures, and to provide securities to meet the current needs of various investor groups. In my opinion, these two objectives are contradictory when inflationary or deflationary pressures are strong.

For example, during a boom such as the present, **institutional** investors generally feel they "need" shortest term Treasury securities with which they may retain a high availability of funds. Yet, it is in such circumstances that the Treasury, as stated by a Federal Reserve Bank president, should follow a debt management policy which "aggressively seeks to channel directly into government hands a substantial part of the savings which accumulate in a period of full employment, high national income, and relative scarcity of goods."

The "needs" of **individual** investors during a boom are less easy to predict. On the average, the chances are individuals will believe they do not need additional Treasury securities. They may prefer to reduce their holdings. Savings bond sales and redemptions tend in some degree to confirm this.

The economic objectives of the Treasury during a boom, therefore, should be:

(a) To seek additional non-bank **institutional** investment in its securities by offering relatively high-rate long-term bonds, that is, bonds which offer a rate of return that is equal to the current income requirements of these investors; and,

(b) To persuade **individuals** to place current savings in Treasury securities that will assure them of no loss of principal by offering rates of return that make it expensive to hold cash, and which thereby may reduce the attractiveness of spending above-average sums for goods and services.

In the other extreme of business conditions, one of depression, **institutional** investors generally believe they have a convincing need for the highest income Treasury securities they can obtain. This generally means long-term bonds. Yet this is a time when institutional investors should be seeking to revitalize plant and equipment expenditures in order that these may contribute to an expansion in national production and employment. Long-term Treasury securities sold to these investors during a depression may prove to be temporary investments as private capital demand expands. Short-term, low-yield Treasury offerings would be better suited to the needs of the economy, both at the time and later, when institutional investors may wish to transfer such assets to private credits.

Individuals, subject to lower wages and increased unemployment, also will feel the need for the highest income they can get from Treasury securities, even though, in the aggregate, they may be net sellers. The needs of the economy would call for a divestment of past savings and a reduction in current savings. This could be encouraged by a reduction in the rates of interest paid on savings bonds and the like.

The economic objectives of the Treasury during a recession, therefore, should be:

(a) To encourage institutional investors to be most aggressive in expanding private credit, by offering largely only short-term, low-rate Treasury securities, and

(b) To encourage individuals to divest themselves of past savings and to reduce current savings by lowering the rates of interest paid on savings bonds and the like.

Other kinds of business conditions, ones that are less extreme than a boom or a depression, will be characterized by variable de-

Continued on page 30

*A statement by Mr. Lanston before the Subcommittee on General Control and Debt Management of the Joint Committee on the Economic Report, March 18, 1952.

Continued from page 5

Observations . . .

strated in the 1935-1937 bull market, the government's right-arm of securities regulation has been sabotaged by its left-arm of inflation and taxation.

The assumption that the complained-of market thinness could be appreciably thickened and the desired activity stirred up, by lowered margins, is also rendered highly questionable by the public's continued abstention from credit facilities in present-day *cash* markets. In any event, such "market-liquefying" from reduced margins, if it occurred at all, would do so at the cost of stimulating the speculative rather than the desirable income-conscious investment attributes of the market place.

Tax Factors

Far more important in contributing to market "illiquidity" today is the tax factor, but here, too, the several causes and effects are not narrow and simple. The Stock Exchange and others direct their fire at the capital gains tax with main attention to the freezing effects of the existing requirement for a six rather than a proposed three-month holding period to get the privilege of the 26% ceiling on profits tax.

Actually, it is the overall high level of the investor's ordinary *income* taxation, rather than the length of the capital gains holding-period, which is harmful to both the activity and the investment character of the Stock Exchange. For the market participants with an investment attitude, *any* sizable tax on accrued appreciation will, particularly as in our current lengthy bull market, lead to the freezing of portfolios. The importance of the tax on dividend income as a cause of the large stockholder's exit from the market and the consequent impairment of its activity, can be appreciated from the following table, showing the effect of present rates on the actual take-home return. The shareholders' *net* return on the **5.8%** gross yield which is now available in the dividends from the representative stocks in Standard Statistics 90-Stock Average, as reduced by current tax rates, follows:

Total-Income Recipient of:	After-Tax Yield on 5.8% Gross Yield
$ 10,000	4.2%
25,000	3.4
50,000	2.1
75,000	1.9
100,000	1.6

(Calculations are for a married man with two children; and assuming that 75% of his income comes from salary, with this tax scale levied on the remaining 25% discretionarily allotted to investment.)

Importance of the Large Differential Between the Capital Gains and Ordinary Income Levies

In considering the speculative effects of the tax situation, it is the *differential* between such tax emasculation of dividend-income and the more favorable treatment of capital profits (at 26%), which, though wholly equitable, importantly enhances market speculation. The 50-90% bracket income-boys who do not altogether retire from the market for taxable stocks, turn to the chasing of lower-taxed capital gains.

Such differential between ordinary income and capital gains tax rates also has the effect, in the framework of practical recognition of the public's temper, of minimizing the possibility of eliminating or favorably revising the believed-to-be already more favorable capital gains levy. Actually, as was elicited at the discussion at the current Hearings, much of the public imagines that the present arrangement with the 6-month holding minimum constitutes some kind of "loophole."

Hence it must be realized that the practical solution lies, not in revising the capital gains tax, but in first reducing the confiscatory levy on ordinary income. If this is done on shareholder income through whole or partial elimination of the existing double-taxation of corporate earnings, the number of stock buyers would be enormously increased, and their genuine-investment attributes importantly enhanced. *Thereafter* capital gains tax reform can be adequately taken care of.

The interplay of effects of confiscatory tax rates in the investment world is typical of that situation in other sectors, as the corporate, where the capital loss as well as gains exigencies control so many crucial business decisions.

* * *

Likewise included in the Heller Committee's discussions were questions about new issue prospectus requirements and on-and-off-exchange liquidity, and similar; indicating the need for much further exploration.

It must be borne in mind that actual take-home return on the current 5.8% gross yield from dividends on representative stocks in Standard Statistics 90-Stock Average is reduced as follows in the respective brackets:

We see that these along with the perennial questions of securities taxation, stock market credit and "inflation," continue as problems requiring the most thorough and careful consideration from broad economic and social, as well as the narrower stock market approaches—perhaps via full testimony and discussion before an American counterpart of Britain's statesmanlike MacMillan Committee, or a reconstituted Congressional Committee of the Economic Report.

President Truman and President Funston could appear as expert witnesses.

End of Cheap Money in Britain

By PAUL EINZIG

Dr. Einzig reviews history of cheap money policy in Britain during past decade, and holds that while it helped nation's economy temporarily, its disadvantages have long since been evident in that the policy has largely contributed to over-full employment, over investment and inflation. Says Conservative government had no alternative but to resort to "dear money" in order to save the pound from another devaluation.

LONDON, Eng.—With the increase of the bank rate to 4% on March 11 the 20 years' period of cheap money has come to an end. It was initiated in 1932 as a reaction from the experience of 1931 when the high bank rate failed completely to prevent the flight from the pound leading to the suspension of the gold standard. That experience reinforced the arguments of the Keynesian school of thought according to which it is not worth while to inflict on domestic trade the hardships of dear money for the sake of an attempt to influence the international movement of funds. The British monetary authorities reluctantly arrived at the conclusion that Keynes was right. They gradually lowered the bank rate of 2% and, apart from a brief interval in 1939, left it there unchanged for nearly 20 years. When in 1951 Mr. Butler became Chancellor of the Exchequer he was determined to add monetary control to the various other disinflationary devices in operation or to be adopted. As a first step, however, he only raised the bank rate to 2½%. Now with one bold stroke he raised it to a level at which money can no longer be described as cheap. Admittedly, it is conceivable that, if and when the gold drain should subside, the bank rate would be lowered again. What matters is that the British monetary policy no longer regards it a fundamental principle to maintain low interest rates at all costs. Until recently any suggestion of raising the bank rate would have been regarded as something like blasphemy. Apart from the small though vocal group of orthodox economists which never ceased to agitate for the return of dear money, most people in Britain had assumed that cheap money had come to stay forever. Departure from it has come, therefore, as something like a shock.

Dr. Paul Einzig

Beyond doubt during a large part of the period of its application the policy of cheap money rendered very valuable services in Britain. During the 'thirties it went a long way towards reviving trade following the long depression, even if it was unable to eliminate large-scale unemployment which continued right to the early part of the war. It also enabled the Treasury to reduce the burden of the public debt inherited from the first World War, and to finance the second World War at remarkably low interest rates. The low-cost financing of postwar reconstruction and readjustment of industry must also be added to the credit side of the balance sheet of cheap money policy.

Since 1946 or 1947, however, the disadvantages of that policy have gradually come to outweigh its advantages. There can be no doubt that it has largely contributed towards the creation of a state of over-full employment and inflation. It greatly encouraged over-investment which, together with the excessive increase of the purchasing power of consumers, was largely responsible for the perennial rise in the cost of living. Apart altogether from the balance of payments difficulties and the alarming decline of the gold reserve, the case for dearer money became stronger and stronger with the progress of domestic inflation from the point of view of the domestic economic situation. It was essential to relieve the overload on the country's economy. This entailed for the new government decisions which were bound to be painful and unpopular. Moreover, it soon became evident that the desired end could not be achieved by physical controls, cuts in public expenditure, or mere requests to banks to keep down the amount of their loans. Many of us who had believed in cheap money arrived at the conclusion that a dose of the old-fashioned remedy of dear money was decidedly overdue.

Indeed, Mr. Butler had no alternative if he wanted to save the pound from another devaluation. He was expected to produce a "tough" budget, but nobody quite knew how this could be done. It was evident that in face of Socialist pressure against budgetary economies there could be no large-scale cuts in public expenditure. He could have raised the level of taxation, but this would have done more harm than good, for it would have started a new vicious spiral of wage demands, cost of production, and cost of living. He had to make a gesture restoring confidence in sterling, but the creation of a large budgetary surplus was not the right way of approaching that end.

The gesture implied in the return to dear money was calculated to produce the desired result. Judging by the immediate response of the foreign exchange markets, it did inspire a certain degree of confidence abroad. Although it would be premature, at the time of writing, to form a definite opinion about the ultimate result of the high bank rate, the outlook is not unpromising. The only danger is that the political and social factor may outweigh the economic factor. This is what actually happened in 1931. The attempt to solve the problem by means of economies failed because it provoked the Invergordon naval mutiny, and this gave rise to a wave of distrust. Similarly, if in 1952 the high bank rate should provoke a wave of industrial unrest it would do more harm than good.

From a purely economic point of view the high bank rate stands today a better chance of saving sterling than it did in 1931. At that time it was not only superfluous but actually harmful from the point of view of the internal economic situation. Unemployment had already reached record levels, and its aggravation by means of dear money could not possibly help even from an international point of view. Today, on the other hand, the internal effect of a high bank rate is bound to be favorable, owing to the existence of a state of over-full employment. By reducing capital investment and consumption it will tend to increase the exportable surplus and to lower the price of the goods available for export. The anticipation of this effect, and the impression created by the prospects of the liquidation of over-full employment, is likely to inspire confidence in sterling.

The reduction of food subsidies will tend to produce a similar psychological effect. It is true, it may lead to some increase of prices and wages. On the other hand, the same result would have arisen if instead of cutting food subsidies by £160 million the Chancellor had produced a corresponding revenue surplus by means of additional taxation. The difference is that while that solution would have made the internal situation even more unsound through adding to excessive taxation, the solution actually chosen tends to reduce one of the abnormal factors which have distorted Britain's economy ever since the war.

The outcome of the British experiment with dear money must be awaited with the utmost interest. Apart altogether from its practical implications, it is likely to have considerable influence on the trend of monetary theory. Should the response prove to be satisfactory there is bound to be a strong reaction against the Keynesian doctrines. At any rate the teachings of Keynes, elaborated during a prolonged period of trade depression and large-scale unemployment, will have to be reconsidered and adjusted to the different conditions prevailing during a period of continuous trade boom and over-full employment.

Securities Salesman's Corner

By JOHN DUTTON

When you stop to think about it, why should some one you have never known before in your life entrust such a vital matter as their financial welfare to you, or to any other complete stranger? The more you face this fact realistically, the clearer it becomes that missionary work is a "must" in the securities business. Yet, time and again we find salesmen, and many firms engaged in the investment business, who somehow fail to realize that it takes time and spade work before you can cultivate a full grown garden of investor clients. They somehow or other expect to go out and make some calls, and do business right off the bat. Occasionally this does happen but, even so, those sales rarely develop into a full fledged account that repeats and continues. It is hit or miss at the best.

The very fact that most people's financial welfare is so important to them is also a help to the sincere and conscientious salesman. Although it takes time to develop confidence, the man who lays stress upon safety of principal, sound policies, fair return, solid diversification, ample reserves, planning, and personal interest in the client, can eventually take over an account and keep it against his competition.

And There Is Competition

This brings up the often recognized, but rarely discussed matter of competition. Despite all the talk today about the excellent opportunities available for securities salesmen, because of the so-called dearth of competition in the investment business, there is hardly a day that goes by that someone is not calling upon your clients and disturbing their equilibrium in one way or another. Either it is the radio in the evening, that reels off the day's market quotations, and tells them to go down and see so-and-so for the latest list of one hundred leading dividend payers; or it is some literature that they may read which disturbs them. Possibly it is a salesman from another firm. Or maybe it is his friend at the club who asks him. "How are your stocks coming along? Mm. Is that so? Well, I just bought 200 Umpty Dunk at twenty and it is thirty-three now." This causes some misgivings, and even if you are not told about it, your supposed solid and loyal client is thinking to himself—"why didn't my fellow tell me about that one?"

This cannot be avoided. People are people, and you just have to keep after the old accounts. You must service them. You must call back and discuss their investments. You must *resell*. You have to *remind* them too. Remember, if you have a program set up and you continue to place emphasis upon the long range objectives, then you can ward off all of these doubts and fears which constantly are challenging your relationship with your client. People take a while to accept even the soundest ideas. They must be resold. But once you have done this, you can ease up a bit. The difficult part of the securities business, it seems to me, has always been that people just do not know enough about the business cycle to appreciate long range planning of an investment account. There are too many idol worshippers in and out of the investment business.

What I mean by idol worshippers are those who accept half truths. Unfortunately some securities men would rather make a sale based upon the emotional but unsound desire of a securities buyer for a speculative profit, than lose the sale rather than become a party to something that might eventually hurt their client. I think there is a place for securities that offer hope of capital gain. I believe that some people are better off because of their tax position, and their ability to assume risk, if they have a certain amount of their capital in such situations. In fact, experience proves that there is a time, and a place, and an amount that can be expended for speculation by certain people, and when these circumstances are right, it should be done. I am not trying to preach—but surely these fundamental principles of fitting the securities, and the cash reserves, to the client, are the only basis with which you can ward off the onslaughts of those who are constantly trying to get business from people that you know, and call your clients.

Talk Fundamentals

It seems to me that each customer on your books is always a potential source of more business—but it can only come about if he feels that there just isn't any oher place where he might go, and feel as sure about his investments as he does with you. This requires that you talk over his holdings in the light of present day conditions. Write him occasionally about his program. Adjust it if you think profits are such that he should withdraw some of his capital from the stock market. Let him know that you would rather have him miss some possible "paper profits," than take on some "real losses" someday. You don't have to alarm him. But in these times it is quite clear to most of us that people are disturbed. They don't like our national financial situation, they don't like the position of investors in common stocks, they don't like the way the politicians are handling our economy, they don't like the Russian situation, our foreign policy, the Korean war, the labor unrest, the high prices on many common stocks, and the shrinking purchasing power of the dollar. They don't like what they read and hear each day in the news. They want a plan that will give them some "peace of mind." These are the investors I am discussing—not the board room squatters who know all the answers, and who think that everyone else is just too dumb to advise them on anything.

Yes, it is a difficult time, and a business that is demanding. But just because people do realize the importance of their financial status, and they know how hard it is to make any more money if they lose what they have now, there is an opportunity for any man who can go out and tell them that he knows these things too. Not only must you understand the problems but you must provide the answer. And keep reselling that answer after you have it sold, over and over again. That is the only way that I believe that confidence can be established and maintained.

Roy Sundell Joins Julien Collins & Co.

Roy B. Sundell

CHICAGO, Ill.—Roy B. Sundell has become associated with Julien Collins & Company, 105 South La Salle Street, members of the Midwest Stock Exchange, in the Trading Department. He was formerly corporate trader for Greenebaum Investment Co. and prior thereto was in the Trading Department of Thomas E. King & Co.

Stoetzer, Faulkner Join Bennet, Smith

DETROIT, Mich. — Robert R. Stoetzer, George L. Faulkner and Percy P. Newman will be admitted to general partnership and William C. Martin to limited partnership in Bennett, Smith & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges, on April 4th. All are partners in Stoetzer, Faulkner & Co.

Joins du Pont Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—A Frederick Rodewald has become affiliated with Francis I. du Pont & Co., 2809 Collins Avenue. He was formerly with Oakes & Co. and J. A. Rayvis Co., Inc. In the past he was with Blair F. Claybaugh & Co.

SOUTHERN RAILWAY COMPANY

Fifty-Eighth Annual Report for the Year Ended December 31, 1951

Richmond, Va., March 25, 1952.

To the Stockholders of

SOUTHERN RAILWAY COMPANY:

The Board of Directors submits the following report of the affairs of the Company for the year ended December 31, 1951, which is the annual report it is contemplated formally to present to the stockholders of the Company at the annual meeting due to be held on May 20, 1952.

Foreword

In spite of the largest gross revenues of any year in its history, the Company's net income, after taxes and fixed charges, in 1951 was less by $3,500,000 than in 1950. Every effort has been made to minimize expense by carrying forward the Company's program of modernizing yards and terminals, Dieselization of power and maintenance mechanization.

The disappointing result, however, was the inevitable product of higher wages and more costly materials, the disastrous "lag" in getting compensatory freight rate relief, as well as the impact of the higher Federal corporate income tax rates.

Ways must, and will, be found to combat and defeat these serious deterrents to efficient management; and the Company again pledges itself to strive in every way in its power to keep itself strong to serve the developing industrial and agricultural South.

That the Company is indeed fortunate and privileged to serve this dynamic territory and its Southern people is the bright word of hope in looking forward to 1952 and the long future.

I

The Year 1951—Operating Statistics

The Revenues from Operation of the railroad in 1951 were $262,289,208, the largest gross revenues in the Company's history. This was an increase of $22,382,816, or 9.33%, over the gross revenues of the previous year, and was derived from an increase in both freight and passenger volume, and slightly increased freight rates as compared with 1950.

The volume of business handled in 1951 and the receipts therefrom, as compared with 1950, were:

	1951	1950
Freight moved (tons)	64,973,796	60,582,010
Average distance moved (miles)	214.66	215.10
Ton miles	13,947,550,525	13,031,314,554
Average revenue per ton mile	1.585¢	1.550¢
Total freight revenue	$221,124,004	$201,940,658
Number of passengers	3,143,063	3,183,960
Average journey (miles)	234.72	197.51
Passenger miles	737,728,454	628,857,092
Average revenue per passenger mile	2.672¢	2.609¢
Total passenger revenue	$19,711,642	$16,407,976

Although the vitality of American industry and its contribution to the defense preparation of the country are demonstrated in the increase of volume shown in the figures set out above, the Company regrets that the resulting "net" was not as substantial as in 1950, for despite every effort to operate as efficiently as possible, expenses ran considerably higher due to the factors enumerated in this Report.

As contrasted with the increase of $22,382,816, or 9.33%, in gross Revenues from Operation in 1951 as compared with 1950, Total Operating Expenses increased by $23,406,061, or 13.89%, as compared with the previous year.

Comparing the results of 1951 with those of 1944, to illustrate with the year most nearly comparable in gross revenues (for which year 1944 the Company's gross amounted to $260,978,000, as compared with gross of $262,289,000 in 1951), points up the drastic increase in the cost of doing business.

For even in the costly "war year" of 1944, the aggregate expenditures for Maintenance of Way, Maintenance of Equipment and Transportation Expense, the three largest categories of Operating Expenses, amounted to $146,506,000, a then new high, while in 1951, when the Company had less than $1,400,000 additional "intake," those same three items of cost had increased to the phenomenal amount of $176,703,000, or *by more than $30,000,000.*

Despite these discouraging increases in the basis of expense, the Cost of Transportation, which is the ratio of Transportation Expense to Operating Revenues, was held to 34.59¢ out of the operating dollar, as compared with 34.34¢ in 1950, and 38.35¢ in 1949, again reflecting the results of the Company's continuing program of terminal modernization and Dieselization.

The Operating Ratio, however, which is the percentage relationship of total Operating Expenses to Operating Revenues, showed the result of the inflationary basis of cost in its increase in 1951 to 73.19¢ out of the operating dollar, as compared with 70.26¢ in 1950, still, however, a satisfactory comparison with the 78.22¢ Operating Ratio of 1949.

Railway Tax Accruals amounted to a new post-war high figure of $35,848,244, an increase of $709,750, or 2.02%, as compared with the already high accrual of 1950.

The Company's Tax Accruals for 1951 were equivalent to approximately $1,086 for each employee of the Company and to nearly $28 per share of Common Stock.

Net Railway Operating Income (what is left out of Operating Revenues after deducting all Operating Expenses, Taxes, and Equipment and Joint Facility Rents) amounted for 1951 to $27,947,212, a decrease of $3,986,147, or 12.48%, from the corresponding figure for 1950. This emphasizes the facts stated above to the effect that the cost of doing business and taxes in the year under discussion "ate up" *all* of the increase in Operating Revenues, and consumed nearly $4,000,000 in addition.

It is interesting also to note from the figures just stated that, before the Company could bring down the sum of $27,947,000, as its "net" for its corporate needs and the owners' return, the government, as tax gatherer, took out of the Company's resources the sum of $35,848,000, or $7,901,000 more than what was left after taxes.

The comparable ratios of the several subdivisions of Operating Expenses, Taxes, and Equipment and Joint Facility Rents, expressed in the number of cents out of each dollar of revenue, were as follows:

	1951	1950
Transportation	34.59¢	34.34¢
Maintenance of Way	13.95¢	12.71¢
Maintenance of Equipment	18.83¢	17.58¢
Traffic Expense	1.84¢	1.74¢
General Expense	2.99¢	2.97¢
Incidental Expense	0.99¢	0.92¢
Totals	73.19¢	70.26¢
Taxes	13.67¢	14.65¢
Equipment and Joint Facility Rents	2.49¢	1.78¢
Grand Totals	89.35¢	86.69¢

After Operating Expenses, Taxes, and Equipment and Joint Facility Rents, there was left for fixed charges and other corporate needs and for the stockholders, 10.65¢ out of each dollar of the year's revenue, as compared with 13.31¢ in 1950.

Net Income

Net Income (after taxes and charges) amounted to $18,856,597, as compared with $22,400,042 for 1950.

Fixed charges were covered 2.49 times in 1951, as compared with 2.74 times in 1950.

After a dividend of 5% on the Preferred Stock, the balance of Net Income in 1951 was equivalent to $12.21 per share on the Common Stock, as compared with $14.94 per share in 1950.

Dividends

Dividends of 5% on the Preferred Stock were continued, and there was paid on the Common Stock, out of the surplus net earnings for the year 1950, an aggregate of $4.00 per share, at the rate of $1.00 per share quarterly in March, June, September and December, 1951, as compared with the total of $3.00 per share paid in 1950.

A dividend of $1.00 per share on the Common Stock was paid on March 15, 1952, out of the surplus net earnings of 1951, after setting aside therefrom dividends of 5% on the Preferred Stock.

Operations

During 1951 substantial progress in the installations of mechanical aids to lessen uneconomical ways of doing business continued, which, together with the acquisition by the Company, of 100 new Diesel locomotives, resulted in retarding the costly effect of increases in the basis of the cost of labor and materials.

The major improvements in the Company's Inman Yard in Atlanta were completed, as was also the mechanization of the Company's John Sevier Yard at Knoxville, Tennessee.

The Ernest Norris Yard at Birmingham, Alabama, which is the new and modern economical car-retarder hump yard under construction by the Company's affiliate, The Alabama Great Southern Railroad Company, was more than half way to completion at the end of 1951, and promises to all Southern Railway System Companies the economies and efficiencies predicted in last year's Report.

Great progress has also been made in the construction of new freight facilities by the Company's affiliate, the New Orleans and Northeastern Railroad Company, in its Press Street Yard at New Orleans, Louisiana.

Although additional new rail is needed and there are too many freight cars in bad order, generally the physical condition of the property is good. There remain many items of needed capital improvement which should be made when adequate surplus funds are available, such as improvements to yards, bridge renewals, Communication Department projects, and Electrical Department projects.

The program of taking off unprofitable passenger trains continued, an estimated annual saving of nearly $200,000 from such efforts having been effected during the year 1951.

This arduous program of the System to reduce cost through taking off unnecessary and unprofitable passenger trains, which was inaugurated, to its fullest extent, in January, 1947, had resulted at the end of the year 1951 in effecting the discontinuance of passenger trains having total runs of more than 5,500 miles, at an estimated aggregate saving in expense in excess of $1,000,000 a year.

Labor Difficulties

Although the United States Army seizure, effected August 27, 1950, continued, the year 1951 was replete with labor difficulties for the Company.

Interruptions of Service

A work stoppage caused by some of the train service employees marking off "sick" in large numbers at several points in the country and on the System's lines started on January 31, 1951, and continued in a sporadic fashion through February 10, 1951.

On that date the Assistant Secretary of the Army issued General Order No. 2 which provided for a forty-eight hour period for employees to report for work when called or be dismissed from service with loss of all seniority rights, unless the employee proved himself to have been physically incapacitated.

This order also provided for certain wage increases for all train service employees, the estimated payroll cost of which to the Company was $1,714,682 per year.

Final Wage Settlements

The request of October 25, 1950, of the non-operating employees for increases in wages was settled, effective February 1, 1951, by an increase of 12½¢ per hour, with an estimated payroll cost of $5,708,550 per year. This settlement also contained a cost-of-living provision producing an additional increase of 7¢ per hour for an estimated payroll cost of $3,196,788 per year.

Settlement was also made with the trainmen on May 25, 1951, of their proposal served on the carriers March 15, 1949, and the carriers' proposals served on the trainmen for rule changes. The settlement provided for increased rates of pay and also contained a cost-of-living provision producing a total estimated additional payroll cost of $2,720,940 per year.

Settlements were also effected during the year with other less numerous classes of employees, at an aggregate estimated annual increased payroll cost of $562,500.

However, the notices for increases in wages served by the engineers, firemen and conductors in 1949, and the carriers' request for certain rule changes, continued under discussion during the entire year of 1951.

Increases in Rates, Fares and Mail Pay

In the proceeding known as *Ex Parte* 175, being the railroads' application for a general freight rate increase of 15%, filed January 16, 1951, the Interstate Commerce Commission granted an interim increase of 2% in Southern territory and between that territory and others, effective April 4, 1951. This interim relief was effective through August 27, 1951, and produced estimated increased interstate freight revenues to the Company of $1,601,000. The interim increase was absorbed in a subsequent increase of 6%, similarly applicable, effective August 28, 1951 (subject to expire on February 28, 1953), which produced to the Company an estimated additional increased interstate freight revenue to December 31, 1951, of $3,785,000, the increased rates thus producing an estimated increase in gross freight revenue to the Company, for the period for which effective, of $5,386,000.

Ex Parte 175 is still pending and the railroads continue to seek the full 15% increase originally requested, without an expiration date, less the 6% already granted in the South and West (the increases granted to this date having been 9% in the East). If the Commission grants the balance of 9% sought, it is estimated that the Company's freight revenues on an annual basis will be increased by $19,235,000.

Increases in intrastate revenues were granted by some of the various states in which the Company operates.

An additional increase in mail pay rates, under a further order of the Interstate Commerce Commission, became effective for the entire year 1951, having been granted retroactively in part, and produced for the Company during the year an estimated increase in mail pay of $2,485,648.

Effective November 1, 1951, the Interstate Commerce Commission authorized a 10% increase in basic passenger fares in Southern territory, estimated to increase the Company's Passenger Revenues by $1,900,000 annually.

New Rail

During 1951 there were laid 26,779 tons of new rail, as compared with 18,557 tons laid in 1950.

The Company has ordered, subject to allotment, 33,000 tons of new rail for the year 1952.

New Equipment

During 1951, the Company received and put into service (a) 2,000 all-steel box cars (except 236 thereof,

SOUTHERN RAILWAY (Continued)

delivery of which was delayed until January, 1952), and (b) 100 units of Diesel power (except three units which were delivered in January, 1952), the aggregate cost being approximately $26,800,000, of which $26,578,200 was financed by means of Conditional Sale Agreements, payable in quarterly installments running over a period of 15 years, at an average interest rate of approximately 2.952%, with no down payment; and (c) 18—70-ton covered hopper cars at a cost of $109,200, which were paid for in cash.

In addition, the Company ordered 300—70-ton all-steel hopper cars, at an aggregate cost of approximately $1,819,500, and financed the cost, to the extent of approximately 77% thereof, by means of a Conditional Sale Agreement providing for payments in quarterly installments over a period of 8 years at an interest rate of 2.875%, these cars having been delivered during January and February, 1952.

As of January 1, 1952, the Company had on order (a) 19 all-steel box cars at an aggregate cost of approximately $101,800, which were delivered during January, 1952, and paid for in cash, and (b) 49 units of Diesel-electric power for delivery in early 1952, the estimated cost of which is $7,500,000, which cost is being financed, as to approximately 78% thereof, by means of a 15-year Equipment Trust.

Including the locomotives just referred to, and 51 units on order for one of the System affiliates, the Company, its affiliates and its subsidiaries have in service or on order 847 units of Diesel-electric power.

As of December 31, 1951, the Diesel freight units in service were handling 92.35% of the System's gross ton miles, and Diesel-electric locomotives were moving 86.12% of the System's passenger-car miles.

Use in 1951 of the Company's Financial Resources

In addition to meeting all of its current expenses and fixed payments, the Company paid from its Treasury, during the year, the following conspicuous items:

(1) For capital improvements to the property, $8,419,611 for Road and Structures and $11,967,896 for Equipment, an aggregate of $20,387,507 for the year, as compared with $20,310,257 so expended in 1950;

(2) For dividends, $8,192,800 being an increase of $1,298,200 over the corresponding amount so paid in 1950;

(3) For acquisition and cancellation of $4,216,000 principal amount of the Company's Development and General Mortgage Bonds, $4,298,273; and

(4) For the acquisition of certain telegraph wires and equipment of the Western Union Telegraph Company, due to the expiration of a long term contract with that company for telegraph service, $625,000.

The Company had left on December 31, 1951: (a) Investments in United States Government securities in the principal amount of $24,218,000, held in reserve for the acquisition of debt or reduction of maturing obligations, subject to further order of the Board of Directors, and (b) cash of $28,883,227.05, as shown in the balance sheet, the latter being reducible by items which were not cleared through the banks at the close of business for the year.

Funded Debt and Fixed Charges

The table of funded debt at the end of 1951 showed the following comparison with 1950:

	Dec. 31, 1951	Dec. 31, 1950
Funded Debt	$175,878,500[1]	$192,568,500
Leasehold Estates	44,958,600[2]	44,958,600[3]
Equipment Trust Obligations	67,960,160	48,907,440
Totals	$288,797,260	$286,434,540

[1] Does *not* include $12,474,000 of the Company's St. Louis Division Bonds which were acquired by a subsidiary of the company as of January 1, 1951.

[2] Includes $9,716,000 of Bonds acquired by the Company or its subsidiaries since January 1, 1940.

[3] Includes $9,570,000 of Bonds acquired by the Company or its subsidiaries since January 1, 1940.

It may be interesting to recollect that for the year ended December 31, 1939, when the Company's entire gross revenues were only $99,154,000, as compared with $262,289,000 in 1951, its long term funded debt, excluding equipment obligations, at that year end amounted to $268,541,200, as compared with the amount of $175,878,500, shown above.

The Company's net fixed charges, on an annual basis, as defined by the Interstate Commerce Commission, less income from securities of its leasehold estates owned by the Company, were approximately $11,900,000 at December 31, 1951.

Reduction of Long Term Debt

In the Report for the year 1950 there was mentioned the reduction by the Company and its System affiliates during the period 1937 to 1950, inclusive, of long term debt in the aggregate amount of over $120,000,000.

The program of reducing debt continued in 1951 through the acquisition and cancellation of $4,216,000 principal amount of the Company's Development and General Mortgage Bonds due in 1956, reducing the aggregate of this issue from $111,333,000 outstanding on January 1, 1940, to $65,579,000 principal amount outstanding on December 31, 1951, a reduction, prior to the maturity of this issue, of 41% thereof.

The Company's subsidiary, the New Orleans Terminal Company, which had outstanding as of December 31, 1950, $14,000,000 principal amount of First Mortgage 4% Bonds due July 1, 1953, guaranteed as to principal and interest by the Company, had, as stated in the 1950 Report, acquired and cancelled, as of the date of that Report, $1,789,000 principal amount of the issue. The program of reducing the issue continued, and during the remainder of 1951 the Terminal Company acquired and cancelled $722,000 additional Bonds, leaving at December 31, 1951, $11,489,000 principal amount outstanding, including $50,000 of such Bonds held in the Southern's Treasury unpledged.

The New Orleans and Northeastern Railroad Company, one of the Company's system affiliates, retired, from its own Treasury funds, its entire funded debt of $7,195,000 at its maturity on January 1, 1952.

Federal Tax Liability for Past Years

The protest and counterclaim to the claims for additional federal income and excess profits taxes from the Company for the period 1941-1946, inclusive, have not yet been filed. However, definite progress has been made and the protest and counterclaim will be filed at an early date. It is not practicable at this time to forecast any settlement that may be effected.

The Company does not expect to pay any excess profits tax either for 1951 or 1952.

The trend of an increasing burden on the Company for state taxes continues.

The "Reparation" Cases

In last year's Report, reference was made to a series of complaints pending before the Interstate Commerce Commission in which the United States assails as unreasonable the freight charges paid by it during World War II. Hearings on these complaints have been concluded and briefs are being filed with the Commission. It now appears doubtful whether a final decision can be reached before 1953.

The complaint assailing the rates on bauxite ore during a period subsequent to World War II, to which reference also was made in last year's Report, has been argued before the Commission and a final decision is expected in the near future.

Divisions

Reference has been made in preceding Reports to the pending controversy before the Interstate Commerce Commission involving divisions of inter-territorial rates between the North, on the one hand, and the South and Southwest, on the other. In a proposed report recently released, the presiding Examiners have recommended the adoption of a basis of divisions which, if made effective, would reduce the gross revenues of the Company approximately $3,250,000 annually. Strong exceptions to this recommendation are now being prepared and the issues will be argued before the Commission this Spring or early Summer. It is thought that a final decision will be rendered by the Commission in the Fall.

II.

Industrial and Agricultural Development

New Plants

During the year there were 146 new traffic-producing plants located at points served by Southern Railway System. The expansion of existing industries, as well as modernization and plant improvement programs, continued. There were 110 additions made to existing plants as compared with 107 such additions during the previous year. Also, there were established during the year 38 new distribution warehouses, the purpose of which is to draw in carload traffic from other territories for subsequent sale throughout the South.

Production of primary aluminum began December 11, 1951, at the new aluminum plant of the Kaiser Aluminum & Chemical Corporation, built on a tract of 280 acres on a subsidiary's line at Chalmette, near New Orleans, Louisiana, which will have an ultimate capacity of 200,000 tons of aluminum per annum. When completed, this plant will have cost $150 million.

The new Appliance Park of General Electric Company, now under construction on the Company's line a few miles east of Louisville, Kentucky, is expected to cost around $225 million. It is anticipated that the first unit, being built at a cost of $14 million, will go into operation in May, 1952. When complete, probably in 1956 or 1957, this entire development will produce about 300 carloads of rail traffic per day, in and out, and employ a total of 16,900 workers.

The discovery of salt on the Company's lines in South Alabama is beginning to prove its far-reaching industrial potentiality.

Mathieson Chemical Corporation has under construction on the Company's line at McIntosh, just north of Mobile, Alabama, a chemical plant to manufacture chlorine and other products from this salt. It is reported this project will cost in excess of $10 million.

The establishment of additional plants to manufacture industrial chemicals in the same area is under consideration.

Also, estimated to cost more than $10 million, there is a new rayon manufacturing plant being built by Courtaulds, Ltd., on a 650-acre site in Alabama, also on the Company's Mobile Division, some of the raw materials of which are manufactured from salt.

Three miles north of the rayon plant, ground was broken in July, 1951, for the erection of a new $30 million steam-electric power plant by the Alabama Power Company. The initial capacity will be 250,000 kilowatts in two generating units. The first unit is expected to be in operation late in 1953 and the second in 1954.

Ground has been broken for a multi-million dollar missiles plant of approximately 350,000 square feet of floor space on a site of 100 acres of land on the Company's lines in East Tennessee. A division of the same company has acquired property adjacent to the Company's lines in East Durham, North Carolina. Each of these plants will employ about 1,500 workers.

Construction of a new $15 million plant to manufacture anti-tank and anti-aircraft guns, containing approximately 200,000 square feet of floor space, to be served by System lines in Tennessee, is well under way. This plant will give employment to 750 people.

Furthering the diversification of industry in the South is a plant being built on a 20-acre site on the Company's lines in Alabama to produce formaldehyde, urea resins, phenol resins, catalysts, and other materials to serve the plywood, furniture and paper industries in the Southern states.

Likewise, a new plant on the System's lines in Kentucky, employing 550 people in the manufacture of bulbs and tubing for electric lights, is adding to the South's diversification program.

A new plant in South Carolina, containing about 175,000 square feet of floor space on a 124-acre tract of land, will give employment to 200 people initially in the manufacture of fiberglas.

A $6 million electronic tube plant under construction on a tract of 90 acres of land on the Mobile Division of the Company at Oxford, Alabama, containing about 300,000 square feet, is additional evidence of the South's increasing industrialization. When completed, it is expected this plant will employ 2,000 workers.

Reported under construction last year, the new $20 million cellophane plant at Pisgah Forest, Transylvania County, North Carolina, commenced production in the middle of the year. This plant has a rated capacity of approximately 37 million pounds of cellophane per year.

Steel

The South's iron and steel-making capacity is increasing. An estimated 650 gross tons of pig iron per day will be produced at a new blast furnace put in operation during the year. The expansion program of one industry, entailing many millions, will boost its ingot capacity by 500,000 tons; another company expects to place 30 additional coke ovens in operation early in 1952, at a cost of $2 million. The first phase of a multi-million dollar expansion was begun when ground was broken in Atlanta in August, 1951, for the erection of an electric furnace with a capacity of 100,000 tons of the highest grade steel.

Power

Power companies throughout the South continue the expansion of their facilities. The first unit of a new steam-electric generating plant at Goldsboro, North Carolina, which will make available 550 million kilowatt hours a year in Eastern North Carolina, went into operation during the year, and construction of a second unit was started. Expansion of a steam-electric generating plant on the Company's lines in North Carolina to cost more than $30 million, has been announced, which will increase its capacity by 250,000 kilowatts, and make it one of the largest steam power plants in the country.

Another company plans to spend more than $100 million in the years 1951 through 1953 to raise its generating capacity one and one-half times the pre-World War II level; a $45 million plant is scheduled for early construction in South Carolina; a new 50,000 kilowatt steam-electric generator has been installed in a power plant in South Carolina; $17 million is the reported cost of a plant in Virginia, and construction is under way on a $20 million 200,000 kilowatt steam-electric generating plant on the Company's lines west of Rome, Georgia. Mention has already been made of the power plant being built on the Company's lines north of Mobile, Alabama. Site for a $47 million steam-electric generating plant has been selected by the Tennessee Valley Authority at Pride, Alabama, on the Memphis Division of the Company, and work has been started by TVA on a $102 million steam plant site near Kingston, Tennessee.

In this connection, TVA's annual report for the fiscal year ended June 30, 1951, said it is turning more and more to steam plants to meet power demands beyond its hydro-electric capacity, and that steam plants in 1954 will account for nearly half its total capacity, compared with less than 14% as of June 30, 1951.

Pulp and Paper

The South now produces 60% of the total yearly U. S. cut of pulpwood, and also leads all other regions in mill capacity needed to convert the raw wood into pulp. The South's 1950 pulpwood cut hit an all-time high of 12,500,000 cords, thus topping by at least a million cords the previous record year of 1948. Total U. S. cut in 1950 was 21 million cords.

Work has begun at a site on the Company's lines in northwest Georgia for the construction of a paper container board mill to cost around $30 million. When in operation this plant will employ 650 men and women

Electronic Computers Seen As Inflation Study Aid

Dr. Samuel Lubkin, President of Electronic Computer Corporation, says use of high-speed electronic computers may solve intricate problems for Office of Price Stabilization, Federal Reserve Board, Bureau of Budget and other agencies in getting quick and right answers regarding inflation problems.

While in attendance at the convention of the Institute of Radio Engineers in New York City, Dr. Samuel Lubkin, President of the Electronic Computer Corp., stated that use could be made of high-speed electronic computers to solve the complicated economics of inflation as well as the intricate bookkeeping problems of Federal, state and local governments. Dr. Lubkin, formerly consultant to the National Bureau of Standards on computer design and construction, declared that the use of computers by businessmen, scientists and engineers "is limited only by their imagination" and added that "there is no reason why computers can not also be used by economists, both in and out of government, to solve the complex economic problems facing the country today."

Dr. Samuel Lubkin

"Computer engineers are now solving tougher and more complicated ones," Dr. Lubkin pointed out. "Inflation," he said, "has been dealt with on the basis of intuition and judgment, as well as politics. The problem should be reduced to quantities that can be measured and then analyzed mathematically by means of modern high-speed electronic digital computers."

Although many plans to halt the inflationary spiral have been proposed by such impartial and highly respected research organizations as the Committee for Economic Development, all of them, Dr. Lubkin added, are necessarily based in the last analysis on "what people think."

"I am not implying that people should stop thinking or that computers will be able to do all our thinking for us," Dr. Lubkin said. "I am simply saying that government agencies like the Federal Reserve Board, the U. S. Treasury, the Bureau of the Budget and the Office of Price Stabilization should use every means at their disposal to try to get the right answers. Electronic computers are now solving in a few hours or days problems that formerly took years of tedious computations. Certainly these agencies, together with the President's Council of Economic Advisers and the Joint Committee on the Economic Report of Congress, should start a study at once to determine the part that modern computers can play in solving the inflation problem." He added that he was sure that the Association for Computing Machinery would be glad to sit down with government officials to explore the possibilities.

The Electronic Computer Corporation unveiled at the show a model of their first low-cost, fully automatic, general-purpose, digital computer, the "Elecom 100." This machine, according to Dr. Lubkin, is designed specifically for the use of industrial research laboratories in the solution of problems of aerodynamics, metallurgy, optics, etc. He asserted that it was the first practical machine of its type to appear on the market at a price within the reach of a large number of industrial users. The machine sells for $60,000 and the company is working on "several" orders, Dr. Lubkin said.

We Hope He Is Right!

"I have faith that that mighty bulwark to representative government—the civic conscience—will shortly assert itself under the processes established by the Constitution and that the people will thus rechart the nation's course.

"Let a leadership then emerge with the vision and moral courage to discard the dogma of political precedent which seeks to be all things to all people—a leadership firmly resolved to restore political morality; regain thrift and frugality as the cornerstone to national stability and progress; reestablish the diffusion of the political power; shore up the sagging beams of our free institutions; revitalize the battered remnants of our personal freedoms; reorient foreign policy to reality and reason, and renew a devotion to God and the religious base upon which our country was erected." — General of the Army Douglas MacArthur.

We gather that the General has hopes that some real progress will be made at the polls in November.

We can only add our hope that he is right.

Canadian Securities

By WILLIAM J. McKAY

Citing the "profuse comment," originating both within and without Canadian borders, "of undiluted and unrestrained optimism" regarding the country's economic future, the March 24 issue of "Business Review" of the Bank of Montreal contains a brief but astonishing statistical review of Canada's economic and industrial progress in the last 12 years, the period of war and postwar economy.

During the last 12 years, according to the Bank of Montreal, Canada has quadrupled the value of her national output, increased new capital investments sixfold, developed one of the world's strongest currencies, and taken her place in the non-Communist world's economic center of gravity.

During this period, also, personal disposable income tripled, the standard of living rose 40%, and since 1946, due to six successive budgetary surpluses, Canada's funded debt has been reduced by $2,000,000,000 or 11½%.

"The most striking feature of the investment growth from $765,000,000 in 1939 to $4,641,000,000 in 1951 has been the concentration in dynamic new industries, processes and resources," says the special review. As a result, substantial gains have been made in many fields and productive capacity for crude petroleum is projected to increase threefold and that of iron ore fivefold between 1950 and 1955, the bank said.

After eliminating the inflationary factor, the statistical study reveals that the 1951 national output of $21,217,000,000 still represents a growth of 90% in real terms during the 12-year period. Most of this represents a greater output per employed person since the working force of 5,414,000 in 1951 was only 30% larger than 1939. "This relatively moderate rise serves to emphasize that in one of its basic resources—population — Canada is far from adequately supplied."

An important industrial development noted by the Bank, is that Canadian production of primary steel has enlarged by 130% over this period. Output of motor vehicles and refined petroleum has tripled. Pulp and paper production has doubled, and the chemical industry expanded by 80%. One of the important consequences of this rapid industrialization is a noteworthy shift in the ratio of industrial worker to farmer from one to one in 1939 to more than two to one last year. However, although farm employment has fallen by one-quarter, agricultural output has increased, it is noted.

A noteworthy factor in the economic progress of Canada in the last decade has been the discovery and development of important new resources of iron ore, titanium, uranium, precious metals, and oil. This development has attracted enough foreign capital to finance a deficit in external trade and build exchange reserves. In consequence, the Canadian dollar was set free to find its own level in September, 1951 and "is now one of the strongest of currencies."

The bank emphasizes, however, that the "country's dependence on export markets has changed little." The overriding importance of a few export commodities continues, and there has been an increased concentration of markets. The United States received 59% of Canada's exports in 1951, while the United Kingdom's share was only 16%, a sharp fall from the 40% it took in prewar days.

So far as inflationary pressures are concerned, the Review concludes, the permanence of Canada's current price stability is an open question, with the defense program building up and the Canadian consumer still eager to improve his living standards. Even the government's six annual budget surpluses have been produced by a level of taxation which has also contributed to upward price and wage pressures, the bank notes.

Halsey, Stuart Group Offers Consol. Ed. Bds.

Halsey, Stuart & Co. Inc. and associates on March 26 offered $50,000,000 Consolidated Edison Co. of New York, Inc. first and refunding mortgage bonds, 3⅜% series H, due March 1, 1982 at 102.384% and accrued interest. The group won award of the bonds at competitive sale on March 25 on its bid of 101.769%.

Of the proceeds from the sale of these bonds, $31,000,000 will be applied to the payment of the company's short-term bank loans, issued in connection with interim financing of its construction program. The balance will be used to reimburse the company's treasury, in part, for expenditures made in connection with the construction program.

Regular redemption of the bonds may be made at prices ranging downward from 105.39% to par, and special redemption prices run from 102.39% to par.

Consolidated Edison Co. of New York supplies electric service in the Boroughs of Manhattan, Bronx, Brooklyn and Queens excepting the fifth ward (Rockaway District), all in the City of New York, and in Westchester County excepting the northeastern portions thereof; and gas service in the Boroughs of Manhattan and The Bronx, in the First and Third Wards of Queens and in the more populous parts of Westchester County. Staten Island Edison Corp., a subsidiary, supplies electricity in the Borough of Richmond, and New York Steam Corp., a subsidiary, supplies steam service in a part of the Borough of Manhattan.

First Boston Elects Four to Posts

The Board of Directors of The First Boston Corporation, 100 Broadway, New York City, has elected Brainerd H. Whitbeck and

B. H. Whitbeck

Emil J. Pattberg

George L. Perin

John A. Day

Emil J. Pattberg, Jr., members of the corporation's executive committee and named George L. Perin and John A. Day as Vice-Presidents.

Messrs. Whitbeck and Pattberg have been associated with First Boston for more than 20 years. Both are Vice-Presidents and Directors, Mr. Whitbeck being in charge of the municipal bond department and Mr. Pattberg manager of the U. S. Government securities department.

Mr. Perin, who joined First Boston in 1929, has been an Assistant Vice-President since 1944 and has been in charge of public utility research since 1936. Mr. Day, with First Boston since 1926, has been western representative of the buying department since 1946, in the Chicago office. Previously he had been associated with First Boston offices in Boston and Cleveland.

Ralph Owen Pres. Of Equitable Secs.

NASHVILLE, Tenn. — Ralph Owen has been elected President of Equitable Securities Corporation, 322 Union Street. Mr Owen succeeds the late Brownlee O. Currey.

Before joining Equitable Securities on its formation in 1930, Mr. Owen was associated with the First American National Bank of Nashville — then the Fourth and First National Bank.

Philadelphia-Baltimore Exchange Appoints

PHILADELPHIA Pa. — At a meeting of the Board of Governors of the Philadelphia-Baltimore Stock Exchange, the following officers were appointed to serve for the ensuing year:

Vice-President: George E. Nehrbas, Parrish & Co.

Treasurer: Samuel K. Phillips, Samuel K. Phillips & Co.

Secretary: Charles L. Wilson.

Trustees (for three year terms): C. Sewall Clark, E. W. Clark Co.; and Edward Hopkinson, Jr., Drexel & Co.

Public Utility Securities

By OWEN ELY

Pacific Lighting Corp.

Pacific Lighting Corporation is the largest of the natural gas retailing systems. The two utility subsidiaries had 1,542,000 meters at the end of 1950, exceeding by 200,000 the next largest system, that of Consolidated Edison. In point of revenues, however, Pacific Lighting ranks below the two largest "integrated" gas systems, Columbia Gas and Consolidated Natural Gas.

System revenues in 1951 were $124 million as compared with $64 million in 1945 and $45 million in 1940—indicating the system's rapid growth, paralleling that of the "growth" electric utilities. The system serves an area with a population of 5,800,000 covering most of southern California, including the City of Los Angeles. However, in part of the area (San Diego, Long Beach, etc.) gas is supplied at wholesale to other companies, which retail it.

The system has been built up through acquisition and merger of over sixty companies, over a long historical period. In earlier years some of these companies produced and sold manufactured gas, but now Pacific Lighting serves only natural gas. The system now consists of the holding company Pacific Lighting, two gas utility subsidiaries (Southern California Gas and Southern Counties Gas), and Pacific Lighting Gas Supply Company, a small non-utility company with moderate production, an underground storage system and about 35 billion cubic feet of recoverable gas. Pacific Lighting owns all the common stock of the three subsidiaries (Southern California Gas preferred stock has voting power, however, so that the parent company's overall control is 74%). Net plant of the three subsidiaries was about as follows at the end of 1950:

Southern California Gas	$187,000,000
Southern Counties Gas	60,000,000
Pacific Lighting Gas Supply	11,000,000

The territory comprises rich agricultural areas, important oil-producing districts, and the motion picture industry. Most of the homes in the region use gas heat, and the domestic and commercial divisions accounted for 70% of 1950 revenues.

All out-of-state natural gas requirements are purchased under long-term contracts. In 1950, the system obtained 51% of its gas requirements from the El Paso Natural Gas pipe line at an average cost of 14.35c per mcf, and 49% from California producers. The higher cost of California gas brought average gas purchase costs for the year to 16.25c per mcf. The El Paso contract calls for daily deliveries of up to 405 million cf.

Following is the capital structure at the end of 1951:

		Millions	Percent
Bonds — So. Calif. Gas	$81		
So. Counties Gas	36	$117	40%
Preferred Stocks — So. Calif. Gas	22		
Pacific Ltg.	40	62	22
Common Stock Equity		111	38
Total		$290	100%

Formerly there were ample gas reserves in the State of Californit, but since 1949 with the rapid increase in sales and the declining California reserves, it has been necessary to bring gas from western Texas, New Mexico, etc., through the El Paso Natural Gas pipe-lines. The additional purchases from El Paso in 1951 made a larger volume of gas available for interruptible industrial customers.

Pacific Lighting has paid common stock dividends since 1908, with a $3 rate since 1938. Share earnings has been as follows:

1951	$3.36	1944	$3.31
1950	5.88	1943	3.21
1949	2.86	1942	3.51
1948	3.96	1941	3.35
1947	4.86	1940	3.13
1946	4.84	1939	3.60
1945	3.02	1938	4.18

The system has encountered increasing difficulties with rising costs in 1951-52. Late in 1951 Southern California's cost of gas was increased about $4 million per annum, and a $2 million wage increase was granted, while taxes were considerably higher. El Paso expects to file application with the FPC for another increase shortly after May 1, which would further increase system costs.

In October 1950 Southern California Gas obtained a rate increas of $6.2 million out of $11 million rquested. The company in 1951 requested a $16 million rate increase, but because of anticipated delays asked the state commission for a $9-$10 million interim increase to help with the $30,000,000 current bond financing; the commission recently granted somewhat less than $5 million (about 5% increase). Southern Counties Gas asked for a rehearing on a request for a $3.4 million rate increase, but this has been denied by the Commission and it is understood that the company is contemplating an appeal to the courts!

Temporarily, therefore, system earnings are in a condition of flux due to changing costs and rates. The stock is currently selling on the NYSE around 52 to yield about 5.8%.

Form Taylor International

WASHINGTON, D. C.—George K. Taylor has formed Taylor International Co. with offices at 910 17th Street, N. W. to engage in the securities business. Mr. Taylor was previously with First Investors Corporation.

Grover O' Neill Co. Formed

Grover O'Neill has formed Grover O'Neill & Co. with offices at 20 Exchange Place, New York City, to engage in a securities business. In the past Mr. O'Neill conducted his own investment firm in New York.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The Insurance Company of North America has recently published its 160th annual report covering operations for the year ended Dec. 31, 1951.

It is one of the most interesting and informative reports prepared by any company in the fire or casualty insurance field. Not only does it give a clear and detailed explanation of the operating experience of the Insurance Company of North America but, because the company is one of the largest units in the industry, it also contributes to a general understanding of underwriting operations and problems of last year.

Concerning operations of Insurance Company of North America for 1951, the results are relatively favorable compared with those of other companies in the industry.

While the casualty subsidiary, in common with other similar companies, sustained an underwriting loss, it was comparatively small under the conditions which prevailed. Other underwriting lines showed lower profits. The final consolidated underwriting result was a gain of $1,978,585, as compared with $8,446,122 in 1950.

Investment earnings were higher and with lower Federal taxes, the decline in net operating income was less than indicated by the drop in underwriting results.

The operating record of 1951, compared with that of the previous year taken from the annual report, is shown below:

	1951	1950	Incr. or Decr.
Underwriting—	$	$	$
Premiums written	203,504,885	176,393,914	27,110,971
Incr. in unearned prem. res.	18,564,506	15,263,793	3,300,713
Premiums earned	184,940,379	161,130,121	23,810,258
Claims & claim exps. incurr.	106,337,016	83,479,925	22,857,091
Expenses and taxes incurred	76,624,778	69,204,074	7,420,704
Tot. claims & exps. incurr.	182,961,794	152,683,999	30,277,795
Statutory undwtg. profit	1,978,585	8,446,122	—3,467,537
Financial—			
Interest, divs. & rents earned	16,190,220	14,949,898	1,240,322
Profit or loss on securs. sold	225,301	212,807	12,494
Investment income	16,415,521	15,162,705	1,252,816
Gross operating income	18,394,106	23,608,827	—5,214,721
Federal income tax accrued	3,315,000	5,533,556	—2,218,556
Net operating income	15,079,106	18,075,271	—2,996,16[illegible]

One of the interesting points brought out in the report and one which needs to be emphasized at this particular time because of the unsatisfactory underwriting results, is that insurance company results must be judged in cycles rather than by a particular year.

This point is illustrated in the tabulation presented in the annual report showing the underwriting results of the past five years.

Year—	Premiums Earned	Statutory Underwriting Profit or Loss	Percentage of Profit to Premiums
1947	$112,112,889	—$8,812,595	---
1948	142,279,847	6,648,054	4.67%
1949	151,556,644	17,511,911	11.55
1950	161,130,121	8,446,122	5.24
1951	184,940,379	1,978,585	1.07
Average	$150,403,976	$5,154,415	3.42%

The fluctuations in statutory underwriting results are evident. Because of a time lag between adjustments in rates as well as changes in costs, it takes time to bring underwriting factors into proper balance. Over a period of years, however, the results average out and permit a profit of around 5%.

Investment results for the past five years show a much different pattern. Income has expanded steadily, reflecting the growth of the business and improved returns on invested funds. The investment income for the different years has been as follows: 1951—$16.4 million; 1950—$15.2 million; 1949—$12.2 million; 1948—$10.4 million and 1947—$9.3 million.

Other significant details revealed in the annual report of the Insurance Company of North America include a departmental review of the different lines of insurance handled by the company. Also, additional financial and investment information, including a discussion of investment policies followed during the past year is presented. It is an excellent report from the standpoint of the stockholder.

Joins Barret, Fitch

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Charles L. Merker has joined the staff of Barret, Fitch & Co., Inc., 1004 Baltimore Avenue, members of the Midwest Stock Exchange. He was previously with A. H. Bennett & Co.

Two With Waddell Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — William Cowan and Joseph L. Milton have joined the staff of Waddell & Reed, Inc., 1012 Baltimore Ave.

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Some Aspects of Europe's Bankruptcy

I am not particularly enthusiastic about some of our own popular commentators, but after being over there two and one-half months, I must say I missed them. At least they create a stir of interest.

Visualize this situation, where average people do not know anything much of what is happening in the world, are so "provincial" that they are not interested in anything much but their own national and local affairs. The picture they get is that of an enormous United States, overwhelming in power, industrially, militarily and financially and in every way, and having such armed forces and such diplomats as we have. (They even think we have wonderful diplomats.) But with all that power and wealth, America (they think) is so petty as to withhold a few more billions from poor Europe.

Incidentally, Mr. Acheson must be a very unhappy man these days. I understand he is not too popular in the United States, but up until recently he was at least popular in Europe. Not any longer. Now they think he changes his mind too fast. He became pro-Chiang Kai-shek. He is for arming Formosa. He is for continuing the war in Korea instead of giving it up and walking out. He is not willing to recognize Red China, which he was willing to do not so long ago. And he pushes Germany's rearmament down the European throats—including the unwilling German throats.

But these are merely a few introductory remarks to convey something of the psychological atmosphere. There is one more psychological element in the picture.

Apathy of Europeans

There is very little interest in Europe even in basic problems of their own countries. Europe is in the greatest financial crisis of its history. There never was such a financial crisis in Western Europe's history. But the papers barely mention it; the public doesn't care. The general attitude, in England and even on the Continent, is, "We have been in a crisis for 30 years. This is not the last one. There will be another crisis."

The crisis centers in Great Britain. The Sterling Area—of which London is the center, and which includes the whole British Empire except Canada, and a few countries outside the British Empire, mostly former members of it, like Burma and Ireland—with 600,000,000 population, the second largest raw material and industrial area of the world, runs a deficit in relation to virtually every country of the world. The pound sterling is today, in a sense, the world's softest currency, disregarding, of course, the Iron Curtain countries.

In six months' time, the Sterling area lost some 40% of its gold and dollar reserves, about $1,600,000,000. It lost most of its credit line in the European Payments Union. It is not heading for bankruptcy, but as a British financial expert put it: the Sterling area is bankrupt.

If the word bankruptcy has any meaning for a nation, when can it be applied if not when a nation is verging on the situation of not being able to feed its own population, or to provide raw materials for its own industry? That is the situation in Britain and in the Sterling Area today, and similarly in France. What has brought about such a change since the middle of 1951?

The British like to point out that their "terms of trade" turned unfavorable: import prices rise faster than export prices. That is true; the chickens of devaluation are coming home to roost. But the same is true of Holland, Denmark, Germany, and their external position has improved.

The British claim that the American consumer began last spring to buy less European goods, which is, they say, the cause of the trouble.

In reality, 1951 was almost a record year of American imports.

They point out as a further reason that the American government is not behaving well: it does not buy enough raw materials in Malaya and elsewhere, and does not pay sufficiently high prices for them. It stopped stockpiling them.

In reality, stockpiling did not stop at all. It is merely stretched in time. The government does not ask for immediate delivery. And, incidentally, there will be delivery in the course of 1952, which may have some effect on commodity prices. The funny part of it all is that rather less than a year ago, the same Europeans were complaining that we were ruining them by raising prices sky-high through our reckless stockpiling policies. Now, we either stockpile too fast or too slow. I do not know when we do it right.

Reasons for Europe's Plight

The real reasons for Europe's plight are entirely different. The present financial catastrophe of Western Europe, the third and worst since the war, coincides with the highest level of production in European history. The more they produce, it seems, the more bankrupt they are. Employment? It could not be higher. There is no unemployment, disregarding Germany and Italy. They call it themselves "over-full employment."

Production indices move rapidly upward, exports are rising, but imports rise even more. Where is the source of the trouble? It is hard to put one's finger on a single explanation. Let me point out a couple of details which throw light on the reason why Europe is in such trouble—a situation which may become much worse and which should be of some interest to Americans who might be called upon, sooner or later to pay taxes, or run deficits, in order to take care of it.

Take, for example, this little item: Europe currently imports coal from the United States at the annual rate of $800,000,000 or so—literally, "coal to Newcastle." Britain alone is supposed to have enough coal for 200 years at an annual rate substantially higher than her current production of coal.

True, coal is not produced so cheaply in Europe as in the United States, but wages are not so high, either. British wages are one-half, Continental wages, outside of Sweden and Switzerland, one-quarter or so of the American equivalent. Therefore, even disregarding the cost of transportation, European coal is fully competitive in Europe, but it is not forthcoming.

It is only 40,000,000 tons a year that matters. That is the difference between Britain's coal production in 1913 and her output in 1951. Why not produce 40,000,000 tons more? There are fewer coal miners, true. They have dismissed a lot of inefficient ones, and those who remain should be more efficient. With the aid of the Marshall Plan, some $150,000,000 worth of fresh equipment was put into the British coal mines. Why do they produce less than before?

Well, the coal miners will not work on Saturday. The coal miners want this thing and the other thing. There is a 9% daily absenteeism in the pits, certainly helped by socialized medicine which promotes the taking of leaves of absence. There are diverse factors at play, all of which could be corrected in a very short time.

The radical solution would be to import Italian labor. But, they say, the British social climate is not fit for the importation of foreign labor. Well, it is just too bad for the British social climate. Must we give the British—or, rather, Europe — $800,000,000 a year (as we actually do) because their social climate is not fit for immigration? Couldn't we change that social climate?

In other words, I am not arguing about helping Europe. I am arguing about giving money away with no strings attached. I would not give a cent to the British unless they raise their coal production by 40,000,000 tons a year. Then there would not be any coal problem in Europe, even if France and Germany would not simultaneously raise their output. In France, by the way, coal production is up 15% above the pre-war level, and they could use some Italian miners, too. In Germany, the trouble is that the Ruhr does not have enough housing. They have excess miners whom they cannot employ because the miners have to sleep at night, and there is no place to put them. That can be solved, too, and in a year's time Europe would have ample coal supplies, lower coal prices, and a lot less trouble. This is a very important item in itself.

Let me show you another item in the picture—how these things work out when government enters international finance without knowing anything about it.

Europe's best railroad system is probably the French railroad. By European standards, mind you, it is near perfect. After the war, it came out pretty much destroyed. The bridges were blown up, tunnels damaged, terminals in bad condition; the equipment stolen or rundown and obsolete.

All that has been rebuilt in five or six years' time (though without the palatial super-terminals built in Italy). Needless to say, the Marshall Plan played a substantial role in that process. Today, the 41,000 kilometers — about 27,000 miles—of railroad in metropolitan France are just about the best Europe can show. The system is partly electrified, and has been making a lot of technological progress.

Ninteen fifty-one was a year of greatest traffic on the French railroads, and the year of greatest deficit. The more traffic, the more deficit. Why? As a layman, I had the impression that the management is excellent. It is a government-owned railroad. entirely, but autonomously managed by a group of men who appear to be very competent.

After the war, there was terrific "featherbedding" in the French railroad. Every hero of the Resistance who was no good for anything else but to be a hero, was put on the railroad.

That was one source of trouble. Then came the Marshall Plan. What the Marshall Plan did was to help to rebuild all of the 41,000 kilometers, and what goes with them, including all the equipment needed to run them. But there is not enough traffic for all that. The French railroad system was built up in the 19th Century, and you can imagine that in the meantime some changes in traffic occurred. Some lines which were important 75 years ago, have ceased to be important. But it

was all rebuilt, all equipped, and the railroads run again. Run on time, too!

Thereby vested interests were built up, too. Try to take away the railroad sideline from some village in Brittany, its daily freight train and passenger train, which carry practically nothing, and the deputy in the Chamber who represents that village will protest. That is one reason why the Pleven Government fell last December; it tried to close down inefficient or uneconomical lines. It cannot be done, once the vested interest had been created.

If there had not been a Marshall Plan, the railroads could not have been rebuilt so well, and they would not be so much in deficit today, either.

In addition to the fantastic malinvestment of capital which the Marshall Plan helped to cause—relying on the French official planners—a source of constant and current deficit in the budget had been opened up. The deficit of the railroads amounted last year to about 120,000,000,000 francs. That is only some $350,000,000—peanuts for Washington—but it is an important amount to the French budget of altogether $9,000,000,000.

That is not the whole story. What the Marshall Plan permitted to happen—surely, without direct responsibility of the men in charge, who did not mean it that way—was to create an easy-going atmosphere in Europe. The Europeans became convinced that they could go ahead with their Welfare States; if anything went wrong, the Americans would pay the deficit. The French railroads are a case in point.

The French railroads have a unique system of pensions. Every employee has to retire at the advanced age of 50. The result is that today there is just about one pensioner, who is getting three-quarters of his salary, to every railroader who is working. That is another reason for the deficit. The railroad managers say that ten years hence there will be two pensioners for every man working.

Can Europe Become Self-Supporting?

Unless we can cut out all economic aid to Europe, or unless we make it clear that future aid is forthcoming only with very specific strings attached, Europe will never become self-supporting. That does not mean mixing in Europe's internal affairs. It is merely the banker saying under what conditions he is willing to loan money. And it is not even loaning money—it is money given away. The more right we have to make terms which are in the interests of the recipients, which do not mean any specific benefits to us, which means merely that we want their houses put in order.

Several outstanding Britishers told me privately that they consider the Marshall Plan as one of the greatest disasters that ever befell England. Without the American billions, this overdoing of the Welfare State never would have occurred. It will be a painful process to correct it, but corrected it must be. That is the "deflation" on which the Churchill government is embarking—very cautiously.

It is very hard for Europeans to understand that American aid will not be forthcoming forever. I used to ask this question, "What are you going to do if no more aid is provided?" The first reaction is always to ridicule the question. "Such a thing cannot happen!", they say. "How could you do that? What would you do with your surpluses? You would be swamped with your own production; you would not know what to do with it."

That is quite typical, with the exception of the few Britishers I referred to. On the Continent there is just unanimity that we have to help them, because, first of all, "they are the only market we would have. Where else would we sell our surpluses?" We would have to dig up new markets if we wanted money for our products. "If Europe goes bankrupt, there is no market for American products at all. The Hottentots do not buy American high-grade products." For that reason, we would have to support Europe with the one hand so that with the other we can sell to Europe.

Will Europe Go Bolshevist?

The last reason, of course, is "What would we do without Europe in the face of the Russian danger?" They say we need Europe as allies, otherwise we would be faced with Russia single-handed.

Interestingly, nobody brings up the point we have heard so much about, that unless we help Europe, it will go Bolshevist. I have come to the conviction that no one in Western Europe — except some wishful Communists—would turn Bolshevist because of shortages of one thing or another, or of everything. The European Communists themselves are the last ones who want to be Sovietized. Communism in Western Europe does not mean Bolshevism of the Stalin sort.

The 35% of the vote in the Italian parliament, the 25% of the vote in the French parliament, the large following of Mr. Bevan in the British parliament (who are not much better than the Communists in France and Italy) do not yearn to become satellites of Stalin. What they mean is social reform of a radical sort—anticapitalism, egalitarianism. They are bitter about one thing or another, but most of them are not really Bolshevists in the Russian sense, and would not turn their countries over to Stalin. In case of war, I

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Some Aspects of Europe's Bankruptcy

think most of them would fight just like the rest. Whether anyone in Europe would fight, is another question.

As to what would happen in Europe if we do not help it — there would be a very serious crises, but I think it is a crisis that Europe needs. Britain shows right now, in a small way, that it took a crisis to make Britain try to adjust herself to the problem raised by the specter of declining American subsidies. Give them time, and not too much aid, and they will adjust themselves.

Vast Majority of Europeans Are Socialists

Let me inject a word about Communism in Western Europe. The role of the Communist parties consists, in the first place, in being the most demagogic group. Where there is trouble, the Communists take it up. It does not have to be labor trouble. It can be discontent in the middle classes, among the farmers, or anything else. The Communists come in and say, "We will take care of your interests." They are always for the underdog, even if the underdog does not need such care at all, and consequently, they are very popular. Their technique is to come out for everybody's interests against the government; that brings votes. What is more, their strategy compels the moderate Socialist parties to go along. They cannot permit themselves to be wiped out by Communist demagoguery; they have to be demagogues themselves. That has its influence on the middle-of-the-road parties, and even on those far to the right. In other words, the Communist influence goes in the direction of carrying everybody into the Socialist tidewater so as to compete for votes. That is one thing to remember.

A second thing is that the vast majority of Europeans are Socialists of one kind or another. The most surprising experience for me, visiting the Continent for the third time since the war, is that while in many countries living standards have improved, thanks in part to the Marshall Plan, thanks especially to their own work (it is not true that they do not work), the Socialist tendencies have definitely stiffened.

Most amazing is the German situation. The last time I was in Germany, in 1949, there was no visible radicalism; the Socialist party was very moderate in its social policies. It had lost the elections and was fighting for popular ground on nationalistic arguments; it was to be more patriotic than the Right. Today, the German Socialist party, supported by the vast majority of factory and mining labor, is extremely radical. In 1949, the German workers did not know if they had enough to eat the next day; they worried about shelter. Today, when they have plenty to eat, and begin to have reasonable shelter, they are back to Socialism.

The Danger Zone

It is not true that people go Communist because they are too poor. People who go radical are mostly people who are not doing too badly, but not too well, either. That is where the danger zone is.

Take the neo-Nazi movement in Germany. There is a neo-Nazi movement; but do not exaggerate about it. The interesting thing is that, small as it is, it centers in the Luneberg area in the province of Hanover. That is where the most well-to-do German farmers live, the horse-breeding farmers. They are the ones who have the leisure to play politics, and who are most dissatisfied with the system. It is the well-to-do farmer who goes Nazi—well-to-do, comparatively speaking. He is not doing anywhere near what he did before, and what is more important he does not see any chance of improving his conditions under the social-political circumstances, so he goes into politics in a radical way.

That is what makes Europe radical—Left radical and Right radical. The two are brothers under the skin. It is not hunger or destitution, but lack of prospects in life that makes radicalism tick.

The average European, the little man, has an existence, a practically guaranteed job; he is provided with food at artificially low prices. His home is very primitive, but the rent is ridiculously low. In Paris he may have a two-room apartment, if he is under rent control, for as little as $3 a month, but of course, with no plumbing except the kitchen sink, and the house might break down pretty soon. The same holds for England.

There is security for old age, security against sickness, against maternity, against a head cold, against everything. Only one security is missing — to get anywhere in life, to improve one's condition beyond earning the absolute necessities of life.

That depressing condition—that no improvement of one's standards seems likely—explains why, in a country like France, inhabited by the most self-contained people of the Western World, presently, according to a recent official report, 25% of all adults are registered for emigration. One out of every four Frenchmen wants to quit France. That is the most disturbing index of emotional trouble in Europe.

But why is there no opportunity for the average person in Europe? There are a hundred reasons. If asked what is the most important one, my first reaction would be to say that **taxes are the most damaging single factor.** You think you are heavily taxed? Our system is mild compared to what Europe suffers. It is not just the tax rates that matter, it is the tax structure, and the way taxes are collected.

In the United States 15% of Federal tax revenues come from indirect taxes. In Britain, it is a little over 50%; in France, 75%; in Italy, I think 85 or 90%. All of these are added to prices, so you can imagine what happens to prices. A white shirt costs about double in Europe what it costs in the United States. Of course, you do not have to wear a white shirt. But the point is that the average European can never afford it. Even if European prices are lower than the American equivalents, one must compare incomes. The average European income is between one-half and one-fifth of the comparable American level, and the European has to pay for the same goods the same or a much higher price than the American does. With a fraction of our worker's income, the European counterpart has to pay 50 to 200% more for cigarettes, nylon hose, or almost any of the "amenities" of life. There is little consolation for the European in the fact that he pays less for housing and food, and it is not so terribly much less if you consider qualities, especially the quality of the housing. The lack of opportunity which the tax system alone creates is devastating.

As a whole, compared to America, Europe is a low-wage, high-price area. That is so, they say, because of their narrow markets. "You have the big market in the United States. There are no tariffs within your country, no barriers to trade." Very true, indeed. But why do *they* cut each other's throats by such vicious trade barriers? They could abolish them, but they will not; instead, they try individually to solve the dollar shortage by strangulating the neighbor's trade.

The one model attempt to abolish trade barriers—the Belgian-Dutch Customs Union—went on the rocks after 7½ years of long attempts to bring it into existence. And the little progress through trade liberalization that the European Payments Union brought to them a year ago is over too. The British and the French try to relieve their financial crises by cutting out imports from other European countries. The next thing will be that the Belgians, the Dutch, the Germans, and the Scandinavians, will be in a crisis, too.

I could go through a whole list of additonial trouble sources, individual ones for each individual country. For example, how to explain that in Sweden, which is the richest European country, richer than Switzerland, in the current fiscal year there is a budget surplus of 1,800,000,000 kroner, about $350,000,000. At the same time, prices in a year's time rose by about 20%, while world market prices went down about 7%. They combine a surplus in the budget with an inflation of prices. Their budget surplus is inflationary because they take it out in taxes, which burden the price level, and spend the proceeds on all sorts of subsidies. Instead of taking money out of circulation, this technique actually raises prices in addition to stimulating credit expansion.

What can you do in Italy, where there are two million people unemployed today, and two million others not employed more than half the year? That is a total of 4 million out of 47 million population; it would be as if we had 12 million people unemployed part time and full time. And barely 600,000 of those 4 million receive enough dole to provide a warm meal once a day.

Also, 40% or so of Italy's mechanical industries, which include virtually all equipment producers, belong to the government; they are almost all running at a deficit, often not producing much of anything at that.

The Core of the Problem Is Political

The problems are cumulative, but by and large they are not insolvable. If you ask the Europeans what they are going to do about them, they like to avoid going to the core of the problem. The core is political. There are too many votes in favor of pressure groups which are political taboo in every advanced Welfare State. Their answer is, therefore, that two alternatives are left to the Europeans. "Either you, Mr. America, keep on financing us, restart the Marshall Plan—let us be honest about it; this is not a temporary emergency (they say) but a permanent one so far as one can see —or else, we will have to make a deal with Russia."

A deal with Russia? The Europeans argue that the Russians are so frightened by this time of America that they would be glad to make a deal. Who else but America can produce $65 billion worth of armaments in a year? Which country is not exposed to foreign invasion? There is only one such country in the world. With such a power, nobody wants to have trouble. And since he is arming to the teeth, and is of a very "excitable nature," people are worried about him, not only the Soviets.

Every indication is, according to Western European opinion, that the Russians would be only too happy to make a deal. It would have to be an overall deal. What Moscow wants is, of course, a lot. What the Europeans want is primarily less armaments. They want to have some; they would not rely on Soviet promises. Especially, the Americans should be prepared for any emergency. Europe is willing to give something, too, but it has to be a slower rate of armament in view of its comparative poverty.

What is more, the Europeans say, in effect, "If you, Mr. America, are not going to foot the bill, then we have not only to cut armaments, but also to restore the East-West trade."

The British point out that their exports to Eastern Europe in 1938 amounted to 35% of their total exports. In the case of France, they amounted to 18% of the total. By 1950, both were cut in half, and that does not include the China trade, nor the trade of the British colonies with China. About that they do not speak much because those trades are still flourishing. But they are worried that they might not flourish much longer.

The Germans had 36% of their exports going to Eastern Europe. Now it is 11%. Their reasoning is very simple: "Unless America covers the deficit in our balances of payment, we can sell all sorts of things to the Poles, Hungarians, etc., for which there is no market in the United States."

To the British, it is not only a question of their own exports to the East. It is far more than that. Unless it is possible to canalize German exports, which are rising throughout the Sterling Area and beyond, and Japanese exports which are knocking at the import doors, toward Eastern Europe and China, respectively, those two countries, with their low wages and high efficiency will swamp Britain's own outlets, the British think. They are most anxious not to break off the remnants of the East-West trade, which is declining constantly; they even want to induce the United States to permit its restoration.

More East-West Trade

That is what they expect from a deal with Russia — less armament (or less increase in armaments) and more East-West trade, so that they do not have to rely so much (they do not mean to miss it altogether) on American aid.

What do the Russians ask as a price? The Russian price is, in the first place, less aramament in the West, and especially no rearming of Germany or Japan. All Europe would be happy about that. They do not want to rearm Germany, anyway. And the Germans are the last ones who wish to rearm. The Germans would like to be great producers of armaments to be sold for dollars. But there is no fun any longer in playing soldiers; when one is no great power any more, one is at best a pawn in the power game between Russia and the United States.

Furthermore, the Russians expect us to stop our propaganda promising implicitly the liberation of Eastern Europe, of the satellite countries. It is quite apparent that in the satellite countries tremendous resistance exists against bolshevization; industrial production and even farm production are sabotaged. The satellite populations expect any day an American army to liberate them from the Russian yoke. We would have to make it clear that we do not intend to liberate them. It is not a nice thing to do, but that is what we are supposed to do.

We should close the Estonian Legation in Washington, as an example. We still have such a legation, although Estonia was sacrificed at Yalta to appease Stalin, and the minister at that legation is probably paid by our State Department.

The Russians also expect an over-all deal in China. I come to the conviction that there will be no truce—certainly no more than a localized truce—in Korea until and unless there is an over-all truce along the whole line between East and West; that Korea is only a small item in that big game to keep us harassed, an ace in Stalin's hand to force us to come to terms. The terms are not surrender of Europe to Stalin, but merely a surrender of what Stalin already has—a definite surrender of that, plus a reduction of the tempo of armaments, no rearming of Germany or Japan and, of course, recognition of Mao as the legitimate ruler of China, with Chiang Kai-shek pensioned in Califorinia or Florida.

The Europeans admit that this may only postpone the showdown. But let's have a postponement, they say, let's have a couple of years of "rest," and see what happens then. In other words, "let's cross the bridges when we reach them."

I doubt whether I am much of a prophet, but I strongly feel that this is the direction in which we are heading — perhaps after the elections. Possibly, the question will be kept in suspense, so as not to interfere with the elections.

Maybe it is too early, but it is my vision of the situation that Churchill wants to lead Europe —not just Britain, and not just the Sterling Area, but the whole of the Western world—out of its present immeasurable and immediate crisis by way of a deal with Russia that would not hurt American sensitiveness too much, that would maintain the flow of dollars from Washington to London (and also a flow of soldiers) and would at the same time relieve the international tension that forces Europe into armaments. War preparations are the last straw to break the Sterling's back.

As the "Le Monde" (Paris) put it the other day: "We are all supposed to become austere. That means for Britain: oné slice of meat per month; for France: one suit of clothes for three years; for the U. S.: one television set per house. The Europeans clamor for much more American sacrifice— if America wants armaments."

The great lesson of the European situation, however, is this: Europe goes through the experience of depression in full employment. Until now we thought—or were taught lately—that a depression consists in having a substantial fraction of the population out of work. Now, the world learns that at a time when everybody has a job, everybody may be getting poorer every day. Poverty in the midst of full employment is a novelty to this generation, which talked itself into the philosophy of curing all problems by spending itself into full prosperity.

With Douglas Hammond

(Special to The Financial Chronicle)

LONG BEACH, Calif.—George J. Goldsmith is now affiliated with Douglas A. Hammond.

Bache Adds to Staff

(Special to The Financial Chronicle)

CHICAGO, Ill.—Lewis F. Brody has been added to the staff of Bache & Co., 135 South La Salle Street.

Investors Funding Corp.

Investors Funding Corp. of New York is engaging in a securities business from offices at 511 Fifth Avenue, New York City.

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Defense Program Dictates Use Of New Stabilization Media

than in any year before World War II.

Similarly, it cannot be said that the size or pace of the security program is inconsistent with the maintenance of economic stability. The past year has almost established a new record for general price stability. Wholesale prices have tended slightly downward since March, 1951. Retail prices during the past year have moved very moderately upward, but have begun to turn downward in recent weeks. This stability has not been achieved under an anti-inflationary program which most informed persons would call excessively severe. On the contrary, it has been achieved under policies of taxes, credit controls, and direct controls which have been somewhat milder and looser than most experts thought necessary—and the major explanation of this has been our enormous productive power and the general amplitude of supplies.

As we look forward to the remainder of the year 1952 and beyond, it is a curious paradox that some of those who a year or so ago were extremely doubtful about the capacity of our productive resources to support the demands of the security program, are now exhibiting trepidation lest even with the security program we run into a recession due to the inability of the economy to maintain demand for that part of our productive resources which are not employed in the security program. I do not believe that this trepidation is justified, for reasons which it would not be germane to develop at length here. Nonetheless, the trepidation at least underscores the point that there is a growing recognition that the security program can be borne by the economy without excessive strain.

I would be the last person imaginable to take the unsound position that the security program should be maintained at now contemplated levels, or raised above these levels, in order to maintain high-level production and employment. That is manifestly not an appropriate function for a security program. I am firmly convinced that our economy now has or must find the ways to maintain stability and growth, if and when the world situation permits a vast reduction in the security program. The only point I am making here is that while we should by all means reduce the security program when the best informed appraisal of the world situation dictates that course, we do not need and should not dare to do so before that time on general economic grounds.

The question of the necessary size of the security program should not be confused with the question of efficiency and the weeding out of waste in its execution. Every sensible person will agree that it would be a net gain, if ways could be found to get the same amount of security for less money. I hope that such ways can be found, and I commend every effort toward that end. But I believe that only confusion and danger to this country can result from failing to distinguish between trying to get necessary security as economically as feasible, and trying to cut security below necessary levels on the ground that we do not have the economic strength to do the job.

Can Finance Program

Since we have the resources of manpower, materials, and business and institutional skills to carry forward the security program, we cannot say that we do not have the means to finance it. It would be somewhat better, in my judgment, to pay for a security program at the now contemplated level entirely out of taxation rather than partly by borrowing. But even if it is financed partly by borrowing, the Congress will need to weigh whether the amount of borrowing involved could threaten the nation to the extent that it would be threatened by a deficiency in national security.

I have dwelt upon this point at some length, because I believe that it is the greatest economic issue which we face as a nation, and one alongside of which other economic issues pale into relative insignificance. It seems to me that those who do not give top priority to this question, cannot find the right answer on other questions of economic policy. We have reasonable grounds for believing that, if we are strong enough to resist and deter the communist menace, the American economy will continue its timeless progress toward new productive achievements and even greater strength. But if, through mistaken economic analysis concerning the capacity of our economy, we should fall down on this top job, then no other policies could save us from dangers beyond description.

Proposition No. 2 is that, with a large security burden, economic policy must concentrate above all upon the expansion of production.

When any nation assumes a large defense burden, there are only two major ways of carrying it. One way is to expand total output, so that defense needs can be served without subtracting too much from other economic needs. The second way is to use economic controls to divert productive resources away from other purposes and toward defense purposes. Even in a nation as strong and productive as the United States, both of these methods must be used for the time being. But it is clearly in our interest, particularly in a long period of partial mobilization, to accomplish as much of the defense program as possible through the expansion of production, rather than through drawing down upon other elements in our national economic strength. This is the basic philosophy of the current mobilization program.

The soundness of this philosophy is conclusively demonstrated by all experience. During World War II at its peak, we allocated to defense purposes annually almost as much resources as the total product of our economy during the year before the war started. But we so expanded total output that we were able to do this without a damaging curtailment of civilian supplies, and while carrying forward many industrial expansion programs to provide the sinews for the war effort. Further, when the war was over, we found that the expansion of our productive facilities could be translated into peacetime goods and services without serious or prolonged economic dislocation. Since the Korean outbreak, although our then existing productive resources were more fully utilized in mid-1950 than in 1939, we nonetheless have relied predominantly upon our genius for still further productive expansion to carry the additional burden. Since mid-1950, our expansion of total output has roughly kept pace with the expanding defense program, and consequently the defense program has not resulted in impairment of our industrial or civilian strength. We have used controls to facilitate an orderly transition, and to deal with specific shortages. But fortunately, we have not fallen into the error of substituting the philosophy of all-out controls for the philosophy of all-out production. It is by doing the job in the American way that we have kept our economy so strong, and in fact made it stronger.

Our greatest reserve strength still lies in our capacity further to increase production. The ceiling of our productive ability has no more been reached in 1952 than in 1950 or in 1948. Without appreciably lengthening the work week, and without applying the forced pressures of a full-war economy, we have ample resources to increase total production by at least 5% per annum over the next few years. If additional pressure should require us to do so, we could for at least a few years almost double the annual rate of productive increase. It is this which, more than all else in material things, gives us our true measure of superiority over the Russian system.

Insofar as we need to fight inflation through the imposition of controls and restraints, indirect or direct, we must do so in ways that do not seriously militate against the achievement of our productive potential. This has a most important bearing upon the nature of controls that we can afford to use, and upon the extent to which we can afford to use them. Those who would employ without reservation the classical measures of "fighting inflation," seem not to have taken into account the imperative necessity for fighting inflation in ways that do not repress the general rate of productive advance which is the surest way to keep our economy strong throughout an enduring defense period.

Proposition No. 3 is that the expansion of production must be responsive to the priorities of national needs. We cannot do everything at once. This means that balance must be maintained in the utilization of our resources.

Great though our productive resources are, we cannot afford to do everything at once. While some lines of production must be rapidly expanded, others must be contracted. For example, in order to build more airplanes, we must for a time build less automobiles. In order to build more plants to produce steel, we must for a time build less houses than we otherwise would. Further, expansion and contraction in various areas must achieve sufficient consistency to avoid excessive economic dislocation and to fulfill the defense program itself. For example, if the expansion of machine tool facilities were not sufficiently coordinated with the defense program, bottlenecks would multiply in the execution of the defense program. If defense expansion and civilian contraction were not harmonized, either the manpower and the materials for the defense program would be lacking, or ex-

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cessive and premature disutilization of manpower and materials would occur.

The most important decisions of a defense period, both private and public, involve this concurrent expansion in some areas and contraction in other areas. Hence the economic policies to be used must be far more refined and selective than if the simple purpose were to produce a general expansion or contraction of the economy as a whole. We are not fighting primarily an inflation or a depression; we are fighting primarily a limited international struggle. It follows that the classical economic theories directed toward producing general stimulation or general contraction throughout the whole economy, i.e., the traditional "anti-inflationary" or "anti-deflationary" policies, are not suitable for universal or broadside application to the current problems of the defense economy.

Proposition No. 4 is that the task of curbing inflation in a defense economy must be reconciled with the need at one and the same time for expansion in some areas and for contraction in others.

The essence of controlling inflation is to prevent available funds, coupled with the desire to spend them, from exceeding by great amounts the available goods and services for which these funds would be used. When the simple purpose is to expand general buying power to facilitate recovery from a depression, or to contract total buying power in order to cut down the demand for goods and services of all kinds, it is relatively easy to apply the classical set of "anti-inflationary" or "anti-deflationary" weapons. But in the current situation, it is necessary to couple some types of expansion with some types of contraction, and consequently to expand some types of investment and other buying while contracting others. Therefore, efforts to influence spending must be conformed to the pattern of resource use which the defense program demands.

It follows that measures to contract spending power and employment and production in some areas, no less than measures to produce expansion in other areas, must be sufficiently selective and discriminating to expedite the defense program, to build up the industrial mobilization base, to expand some other areas of production, and at the same time to exercise necessary restraints in still other areas. All this must be borne clearly in mind as one reviews available economic tools, not in terms of how they were thought about by some classical economists who never attempted to use them and who never imagined the current situation, but rather in terms of how these tools may now be applied by practical people in the face of tasks confronting the nation quite different in character from any in the past.

Proposition No. 5 is that the nature of our current and foreseeable economic tasks is too complicated for extreme or major reliance on any one type of economic measure. This applies to monetary policy as well as to other policies.

As indicated above, the complicated and unique character of the current defense program requires a combination of efforts, some designed to expand parts of the economy rapidly, and others designed to contract other parts of the economy with similiar rapidity (insofar as the increase in over-all production does not in itself take care of the necessary expansion of the security program).

Theoretically, one might argue that any one type of economic policy might be predominantly relied upon in the current situation to prompt all of the necessary and varied adjustments in resource use. For example, it might be argued theoretically that, since tax reductions are stimulating and tax increases repressive, a complex tax scheme could be worked out which provide sufficient inducements for expansion wherever needed and sufficient restraints for contraction wherever needed. But the effort to formulate and apply such a complicated and refined tax system would deprive the tax system of one of its main virtues—namely, that it is rather generalized — and would make taxation more complicated and cumbersome, more detailed and personalized, than the most extreme kind of price and wage control. Similarly, one could work out theoretically a price control policy, or a credit control policy, or a policy governing the allocation of materials, so comprehensive and so discriminating as to accomplish by that one advice alone all of the objectives for the economy which must now be sought. But the utilization of any one device to this extent would break down of its own weight, and would result in a system of controls far more harsh, rigid and excessive than the moderate utilization of a variety of weapons in mild proportion.

These comments are applicable to general monetary policy. I am heartily in accord with the moderate utilization of monetary policy to exercise some general restraining influence in an inflationary period. But intrinsic limitations upon its utility lead to major reliance upon a variety of other measures. Clearly, monetary policy is hardly the device for stimulating the rapid expansion in some areas of the economy which is now desirable. General monetary policy is a suitable device, within appropriate limits, for imposing some necessary restrains upon the economy. But if most of the restraint is to be highly selective, as I think it must be under current conditions for reasons which I have already given, general monetary policy cannot do very much of the job. And if monetary policy were to be exercised for the purpose of putting brakes upon the rate of activity of the economy as a whole, it could hardly be pushed far enough to do this under current conditions without reducing substantially the over-all level of production and employment — which would cut directly across the vital objective of utilizing our resources fully and expanding our over-all productive strength.

In this connection, the inability to place great reliance upon general monetary policy has been fully recognized by those who are regarded as outstanding exponents of its appropriate use geared to the time in which it is used.

Thus, in a statement before the Joint Committee on the Economic Report on May 12, 1948, Mr. Allan Sproul, President of the Federal Reserve Bank of New York, had this to say:

"A general monetary control, if used drastically enough, works through a restriction of production. The steps in the process are restriction of money supply, rise of interest rates, contraction of employment and production, contraction of income. I know of no monetary device which would enable us to avoid these consequences. . . . In order to get the effect our critics suggest, would mean that our action would have to be drastic enough to lower the money income of a large segment of the consuming public. To accomplish this by over-all monetary or credit action would mean a serious decline in production and employment. Such action could only be justified if we were faced with a runaway inflation due solely or primarily to monetary causes. That is not our present situation and that cannot be the right policy now."

It is hard indeed to find in the current situation any reason for departing from the principles which Mr. Sproul set forth so cogently in May 1948. The immediate inflationary trends now are certainly not as pronounced as they were in May 1948, and the need not to reduce substantially the total of production and employment is certainly greater now than it was at that time.

Still more important is this consideration: Even if it were to be conceded that the over-all reduction in production and employment were not too high a price to pay for the drastic use of general monetary policy, it does not appear that this reduction would concentrate in those areas where the economy can best afford such a reduction under current conditions. On the contrary, analysis indicates that such a policy would be first reflected in the reduction of production and employment in those very areas where the further expansion of facilities and output is most critically needed, and would appear last if at all in those highly speculative and nonessential areas where more selective and pointed measures can be effective quickly.

Recently, before the 45th annual meeting of the Life Insurance Association of America on Dec. 12, 1951, Mr. Sproul had this to say:

"All that should be claimed for general credit controls, in my opinion, is that combined with other measures working in the same direction, such as fiscal policy, debt management and, in extraordinary circumstances, direct controls, they can contribute to anti-inflationary and anti-deflationary forces . . . it seems to me that the same circumstances which are responsible for the problems of coordinating debt management and credit policy, contribute to the effectiveness of mild general credit policies, and that we can have an expanding economy without throwing too much of the gasoline of easy credit on the fires of active business."

It is my belief that the limitations now placed upon the utilization of general monetary policy, by the imperative need for expanding over-all production, and by the need for being highly selective in imposing restraints upon particular segments of the economy, are perhaps more important than other reasons advanced for the very moderate utilization of general monetary policy. These other reasons include the size of the national debt, its carrying costs, and its profound influence upon the country's financial structure.

For example, Dr. E. A. Goldenweiser, a first-rate theoretical economist with great practical experience within the Federal Reserve System, in the "American Economic Review" in June 1947, recognized the undesirability of substantial increases in the long-term interest rate, saying:

"Not only would such a rise increase the cost of borrowing to the Government at the time of refunding, but it would make inroads on the capital values of securities acquired by institutions and individuals in support of the war effort. The Government is determined not to repeat the experience after the First World War when Government securities went down to the 80's. One reason, among others, for this determination is the size of the debt and its dominant position in the country's financial structure."

I feel that, if the security program is to be carried forward and not dangerously reduced, the economic and fiscal outlook make these comments of Dr. Goldenweiser in 1947 at least as pertinent today. The Federal surplus of 1947 has been replaced by a deficit, which will increase for a time. The problems of Treasury financing will be larger, not smaller, than in 1947.

It should also be taken into consideration that extreme changes in the interest rates on long-term Government obligations are out of the question under current conditions, and that very small variations might not achieve the stated purpose of narrowing the gap between these interest rates and interest rates on other types of obligations.

In testifying before the Joint Committee on the Economic Report on Nov. 22, 1949, Mr. Marriner Eccles had this to say:

"In a falling bond market, with general credit demand strong, rates on other securities and loans would tend to rise at least proportionately as much. Under these conditions, can it be expected that insurance companies or savings and loan associations or other institutional investors would act materially differently with the yield on Governments at 3% than they do now at $2\frac{1}{2}$%?

"Loans or investment, other than Government securities, would have as much, if not more, relative attractiveness to lenders and investors. Few, if any, borrowers would be priced out of the market for funds by rate increases of the size contemplated. . . .

"Any moderate rise in long-term interest rates would not, in itself, reduce significantly the demand for money. Investing institutions, which are now switching from long-term government bonds to private credit forms, would still be motivated to do so by a continuing margin of return between the two kinds of investment."

The Congress has had occasion to observe in recent months that the effort to increase the interest rate on long-term government obligations has been accompanied by efforts to move up other interest rates. An outstanding recent example has been in the field of housing, where ironically the argument was advanced, not that interest rates should be raised to repress credit expansion, but rather that interest rates should be raised to enlarge the volume of housing loans. While my mind is not wedded inflexibly to any particular level of interest rates in general, and while some flexibility in the general interest structure may be desirable, care should certainly be taken not to jeopardize the maintenance of a generally low interest rate structure by departures from it which — while small at first—might gain dangerous momentum. When one considers the painful process by which the interest rate structure as a whole has been brought far below the levels obtaining prior to the great depression, plus the indisputable evidence that this trend has been a major contributory factor in the great and sustained productive expansion of the economy and the more equitable sharing of its benefits among a wider range of business firms and consumers, the case against risking a reversal of that trend is strong indeed.

None of the foregoing should be interpreted as an expression of disagreement at this time with the accord reached between the Treasury and the Federal Reserve Board last March, involving some experimentation with flexibility in interest rate policy. To be sure, I am still prone to reserve judgment, depending upon the further unfolding of events, as to whether this mild modification in policy has been demonstrably beneficial. It has had some desirable and some undesirable results, and the net balance is far from clear. But the main point I now desire to make is that the accord of March, 1951, as I understand it, is consistent with a view held by the Treasury and the Federal Reserve Board, in which the other distinguished authorities whom I have cited seem to join. This view in essence is that variations in monetary policy and interest rate policy must be kept within very narrow limits indeed under current conditions. And consequently, monetary policy can be no more than one mild tool among many in the quest for economic stability and growth within a high-defense environment.

I do not dissent from what has been done. However, I do maintain that the relative economic stability during the past year has been due not to one device, but instead to a wide variety of factors — productive growth, higher taxes, general abundance of consumer supplies, high voluntary savings, selective as well as general credit restraints, price and wage stabilization, and the movement of the defense buildup at a somewhat slower pace than had been estimated a year ago. By the same token, I cannot accept the viewpoint that the main key to future economic stability consists in pushing monetary manipulation as far as it seemingly would be pushed by those who regard it as a panacea and not simply as one useful device among many. It is a device which cannot be relied upon heavily, without bringing in its train undesirable consequences of a certain character far outweighing any speculative and thus far unproved benefits which might follow.

Proposition No. 6 is that the current and foreseeable economic situation calls for an admixture of economic tools, without excessive reliance upon any one.

It has become common practice for some over-exuberant proponents of a particular economic policy to ascribe to it alone the entire or major credit for some desirable result which has been achieved. This they do by setting in juxtaposition the utilization of this policy and the desirable result. Those who are strong for price controls can point to the coincidence of price controls and a stable price level at times; those who are against price controls can point to periods where prices remained stable without price controls, and other periods when prices moved upwards even with price controls. Those who claim that the money supply is the all-controlling factor can point to periods when an increase in the money supply was accompanied by an expansion of credit and by price inflation; but those who believe to the contrary can point to periods when prices rose rapidly while the money supply was contracting. Most of these demonstrations are rather spurious, because coincidence is not the same as cause and effect, and because at any given time there are many forces at work in the economy and no single one can be designated as being all-prevailing or decisive in its influence.

The most responsible weight of opinion seems to me to be that economic stability and growth depend upon a variety of measures used in moderation, without excessive zeal in the application of any one. A well-balanced perspective on this point appears in an article by Dr. E. A. Goldenweiser, in "Harper's" magazine for

April, 1951. Dr. Goldenweiser had this to say:

"First, we must bend every effort to increase production by greater exertion, greater efficiency, longer hours, fewer leisure people, less of the gracious things of life. . . . Second we must economize—make sure that no money is spent unnecessarily. . . . Third, as large a share of the necessary expenditures as possible must be met by taxation. . . . Fourth, the government must borrow what has to be borrowed (insofar as possible) in such a way as to tap income that would otherwise be spent by the person receiving it. . . . Fifth, the government should borrow from the banks only the unavoidable minimum. . . . Sixth, over-all restraint should be exercised over loans by banks to businesses and individuals. . . . Finally . . . price and wage controls—to hold the line until the other measures become effective —are highly desirable."

The foregoing seems to me to set forth admirably, and in proper order, the rounded elements in a program for stability and growth. Further, I would like to stress the extent to which most of those who have been challenged by the responsibilities of practical action, and particularly by the responsibilities of public office, find themselves in essential agreement in this matter—although there will always be some shadings of emphasis.

The economist who has to maintain only a theoretical position, or to write his name imperishably (in his belief) into the literature of his profession, may mistake the shadings for the essence and magnify the differences of view. But in all my dealings with responsible public officials, in the Treasury, the Federal Reserve Board, and elsewhere, I have continuously been impressed by the amount of agreement on fundamentals.

The Council of Economic Advisers undertakes long and searching consultation with the whole range of those concerned with economic policy, both private and public, at least twice a year in the development of our semi-annual published reports. To be sure, some differences of viewpoint arise. But in the overwhelming majority of cases, these prove susceptible to accommodation, on the part of men who after all are looking at the same facts and who share the objective of a stable and growing American economy.

Proposition No. 7 is that basic economic policies which affect the whole nation should seek harmony, and that under our system the most powerful force toward this harmony is men of good will working cooperatively together. With this force present, neither new machinery nor new legislative definitions of authority seems essential.

Above all, there is widespread agreement that those agencies of public authority which vitally affect the national economy should try to reconcile their actions, because pulling in opposite directions is manifestly hurtful regardless of which side is "on the side of the angels."

There will always, of course, be differences of opinion on policy issues. But neither sober and reflective businessmen nor anybody else would want various important agencies of public power, each vitally affecting the economy, to pursue conflicting policies of a fundamental character for an enduring length of time. Nothing could be more inefficient, more uneconomical, more demoralizing to our business system, or more conducive to the undermining of the people's confidence in public authority. It is true that different agencies of public power have different accents of responsibility, and different prime objectives and functions. But no one of them can believe that its perspective or its point of emphasis is transcendently important, to the exclusion of all others. The very fact that in our democracy there are at the national level so many agencies of public power, makes it essential that a process of reconciliation and harmonization move constantly forward. It has always been this way; and it will always be this way.

The possibility of some fundamental collision of policy between two agencies of public power which fundamentally affect the national economy is by no means limited to the case of the Treasury and the Federal Reserve Board. Other agencies of public power are now undertaking functions quite as vital to the economy as a whole, and quite as important to the lives and fortunes of the individual. For example, it would be hard to imagine a more far-reaching authority than that of allocating scarce materials throughout the economy, which carries with it the very power of life or death over substantial segments of our business system. The relationship between monetary policy and fiscal policy is indeed important; but no one can prove that it is of a very different category of importance from the relationship between price policy and wage policy, or tax policy and spending and lending policy, or defense policy and policies affecting industrial and civilian supplies.

The Congress has consistently and increasingly recognized that all of these policies are vital, that no one of them is supreme, and that constantly improved machinery should be sought both in the legislative and the executive branch for evaluating these policies as a whole and their relationship to one another. The Joint Committee on the Economic Report and the Council of Economic Advisers are both statutory examples of this recognition. The advent of the defense program has intensified the search, both by the people and their government, for basic mutuality of purpose and basic consistency of effort among the various instruments of public power affecting the whole economy and its very security.

Whenever there might be a fundamental collision of policy between any two or more agencies of public power which fundamentally affect the national economy, manifestly the solution does not lie in arid debate as to how "independent" one or the other is or should be, or in proposals to subordinate one to the other by legislative fiat. If by "independence" one means that men of integrity should look for the right answers and express their views vigorously without suppression or recrimination, that, of course, is desirable. Nor would I undertake to enter upon discussion of the question turning upon the fact that the Congress has established the Federal Reserve Board in a different relationship to the government

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from that applying to the Executive Departments. This is a matter of Congressional policy. But in no event can any realistic concept of "independence" mean that there is no relationship or interdependence among the policies and problems dealt with by the various important agencies of public power importantly affecting the national economy. Consequently, they must all try to work together on problems which affect them all.

In the final analysis, in the event of collision, all agencies of public power must recognize the ultimate and decisive authority of the Congress; and all must recognize that the Presidential Office has always had the legitimate function of lending its influence toward harmonizing the executory or administrative aspects of national economic policy. Bid the genius of our system resides not so much in reliance upon command as in reliance upon voluntary accommodation through hard work, fair purposes, and mutual respect. Surely the Council of Economic Advisers, which finds its life in a statute the essence of which is cooperation, cannot bring itself to believe that cooperation is not the best method in dealings between any important organs of public power.

From the peculiar vantage point of the Council of Economic Advisers, it has seemed to me that the Treasury and the Federal Reserve Board, as well as other agencies, have worked harder and with a finer spirit than the general public realizes to join hands in the national interest in these trying times. For example, those not involved in the process hardly realize how thoroughly the Reports to the Congress under the Employment Act of 1946 are made the subject of full discussion, interchange of views, and a wise spirit of give and take among all of the agencies concerned with national economic policy. I have always found the Treasury and the Federal Reserve Board "independent" in the sense of being sturdy and vigorous in the assertion of their views; but I have never found any of them "independent" in the sense of being remote or unapproachable, provincial or narrow-minded, or overzealous in the control of its own domain. The result of this process of cooperation has not been perfect. But it has produced over the years, I believe, a more intelligent and harmonious approach to the problems of our national economy than would have been possible under any other approach.

Based upon my observation of the relationships now in effect, I do not see the need for additional formal machinery, or for new legislative efforts to redefine relationships or relative responsibilities. I believe instead that we must continue to work together, seeking to improve our tools of economic analysis, to achieve even greater objectivity, and to enlarge the popular understanding of what we are trying to do. These things depend upon men, and not upon laws. I think the men with whom I have worked measure up to the task, and that is what is most important.

At the same time, if it should be deemed desirable to follow the suggestion recently made by the Secretary of the Treasury, to the effect that the Treasury, the Federal Reserve Board, the Council of Economic Advisers, and certain other agencies recognize more explicitly through some new cooperative unit their mutual interests, and if the Federal Reserve Board should feel likewise such a proposal would certainly meet with the hearty support of the Council of Economic Advisers.

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A Plan of General Credit Control And Debt Management

grees of both inflationary and deflationary forces. In such in-between conditions the Federal Reserve credit policy is less apt to aim at either strongly restraining or expanding objectives. Under these circumstances, the mutual aims of the Treasury and the Federal would permit greater leeway to debt management in achieving what may be deemed a desirable debt structure. The chances favor that major changes in ownership would not be sought by either the Federal or the Treasury, and wide shifts in ownership would be unlikely to be initiated by the public. Consequently, when the business condition might be characterized as one that was neither a boom nor a depression, the Treasury might offer short, intermediate, and long-term securities.

It seems clear to me, therefore, **that if the Treasury is to counter strong inflationary or deflationary forces it should provide securities that are suited to the economic needs of the period.**

I recall many years ago, when, as a Treasury official, I held some responsibility with respect to Treasury financing, that the Treasury's objectives were **to finance the debt at costs appropriate to the circumstances of the time and to the amount needed. This, I believe, remained the Treasury's objective as to interest costs up to 1942.** It is one that is particularly suited to the current problems and should be preferred under all conditions to an objective of holding down the interest cost at the expense of other far more important goals.

My second point concerns the **impact of various moves in debt and credit management on the Treasury security market.**

The impact during the period ending April 4, 1951, was adequately covered in the responses received by the Committee. In summary it seemed the Federal underestimated:

(1) The degree by which its methods of handling the market would increase the desires of investors to sell Treasury securities.

(2) The inefficacy of losses (within the pattern of a 2½% rate) as a deterrent to the sale of Treasury securities, and

(3) The degree by which the origination of a small creeping increase in interest rates would invite—

(a) sales by most investor classes of all but the shortest-term Treasury securities,

(b) an increased preference for short-term securities, and

(c) an increase in the demand for private capital and credit based upon the expectancy of increasing borrowing costs.

The changes in reserve credit outstanding may be summarized as follows:

From June 22, 1950, through April 4, 1951, factors which affect reserve balances but which are more or less beyond the control of Federal Reserve officials caused member bank reserve balances to decline by $2.3 billion. Reducing things to very simple terms, the purchase by the Federal Reserve of a like amount of Treasury securities from the commercial banks, or a slightly larger amount from other holders, was required to restore the reserve balances of the banking system.

During this period, however, the Treasury had a cash surplus of approximately $8 billion, a substantial part of which might have been used to redeem securities held by the commercial banks. For example, had the Treasury been able to apply $6 billion to such redemptions, the amount of Federal Reserve purchases of Treasury securities might have been reduced to $1.3 billion or thereabouts.

As a practical matter, the upset conditions in the Treasury security market and in the minds of investors resulted in a diversion of some measurable portion of the Treasury's cash surplus to the redemption or purchase of non-bank holdings of Treasury securities, and to that extent the Treasury was prevented from reducing private bank deposits.

Federal Reserve holdings of Treasury securities rose by about $3¼ billion during the nine months, apart from about $2 billion purchased as a result of increases in the percentage of required reserves.

At this point I would like to note an important distinction that should be made as to the inflationary potential that follows from the extension of credit by non-bank lenders and its extension by the commercial banks, when Treasury securities must be sold in each case and the Federal Reserve is the buyer of these securities.

When non-bank lenders extended $1 billion of credit which required the sale of a like amount of Treasury restricted bonds then, since the Federal Reserve was the major buyer, the chances favored the following results:

(a) an increase of $1 billion in commercial bank deposits,

(b) an increase of $1 billion in Federal holdings of Treasury securities, and,

(c) an increase in **the excess reserves** of the member banks of between $800 million and $850 million.

Now, let us assume that instead of the non-bank extension of credit the same $1 billion had been loaned by the commercial banks. Then the result would have been:

(a) the same increase of $1 billion in commercial bank deposits, but,

(b) an increase of only from $150 — $200 million in Federal holdings of Treasury securities, and

(c) no change in the excess reserves of the member banks.

In other words, to the extent the private credit demand was met during this period by non-bank lenders who had to sell an equal amount of Treasury restricted bonds, the base was laid for a multiple expansion of credit by the banking system, although the commercial banks were not involved in either the loan or the security transactions.

My **third point** concerns **the definition that is given, in practice, to official purchases and sales made in the interests of maintaining orderly market** conditions. I believe **the tendency may be,** as it has sometimes been in the past, **to slip from the requirements of an orderly market** into a kind of official intervention that might be described as **"flexible support."**

In the response of the Federal Reserve Board, an orderly money market is described as one where there is an "absence of precipitate, disruptive instability," and an orderly Treasury security market as one without "air pockets . . . where there is a degree of continuity between demand and supply at going or moderately changed prices." Further, orderly markets "preclude erratic movements of prices and yields of securities that have no justification in terms of general economic and credit conditions, but they do not preclude broad movements that reflect changes in basic underlying forces."

We need to keep any official intervention in the market to a minimum for several reasons. First, there is the danger that the continuity of the **private** demand and supply may be suspended. To the degree this occurs the price level of Treasury securities becomes artificial. If the artificiality is on the high side of prices, the result is to increase the number of potential sellers and to decrease the number of buyers.

The most important consideration has to do with new Treasury financing. If new offerings are priced against an artificial price level, the chances of a successful sale to the public are decreased and the need for stand-by, or underwriting, purchases in the market by the Federal Reserve is increased. Once the latter are started, they must be continued until the success of the offering is assured, irrespective of the resultant increase in the money supply and the undesirability of any increase.

Prior to the financing of World War II, the Treasury didn't try to prejudge the market for its securities, that is, it didn't announce, out of the blue some morning and to the surprise of most investors, that it was offering a 5-7 year 2⅜% bond. The Treasury first would decide the amount it wished to raise, and the general terms of the security. It then made a preliminary announcement along those lines and stated the approximate size of the financing.

This permitted investors to reflect in the market their idea of the suitable coupon rate and terms. In other words, the Treasury financed against a market that was prepared for the offering, and it was enabled, by the free character of the market, to set terms and provisions that would not require Federal Reserve purchases.

Once the Federal is launched on such purchases, it endeavors, as you know, to make offsetting sales so that the net change in the reserve balances of the member banks is kept under control. In the past year or so, this has been accomplished by the sale of issues with a shorter term than that of the new offering. The trouble with these so-called underwriting purchases in the market, and the offsetting sales, is that the liquidity of investors is increased more or less at their option, and the problem of having someone, other than the Federal Reserve, hold the debt tends to be renewed with each successive maturity.

In other words, each increase in the volume of Federal Reserve purchases introduces a corresponding increase in the artificiality of the market and this, in turn, makes it difficult to achieve successful sales of new Treasury offerings without continuous Federal purchases in the market. Consequently, **the maximum purchase** (or sale) **of Treasury securities** by the Federal Reserve should be **the minimum required to maintain orderly market conditions.**

Effects of Increased Interest Rates

Fourth, I want to comment briefly on **the increased interest costs** that may be—

(1) a corollary of aggressively seeking to channel into government hands a substantial part of the savings of the people in boom periods, and

(2) a consequence of an effective credit policy.

Of the $260 billion of debt outstanding as of Nov. 30, 1951, U. S. Government accounts, mutual savings banks, savings and loan associations, insurance companies, individuals and other investors held $154 billion. This block represented the bulk of the longer-term and the redeemable debt.

The Federal Reserve and commercial banks and business corporations held $106 billion, most of which was short-term or comparatively so.

The interest cost on the long-term and on the redeemable debt, therefore, represents predominantly interest payments that are made directly to, or for the benefit of the great mass of the people, a mass so large that it may be said these interest payments are made to the American people.

The following figures were calculated rather roughly, and are based on earlier and more careful computations made a couple of years ago which I have not had the time to bring up to date, but I believe they represent reasonable appraisals.

If, over the next 10 years, the debt was refunded into fairly substantial amounts of long-term bonds at a 3% rate, with savings securities at comparable rates, and with a fairly substantial withdrawal of publicly held debt for the use of the government funds, the increase in the annual interest payments would be about as follows:

(1) On the non-marketable debt about $450 million,

(2) To the Treasury funds about $250 million, and

(3) On the publicly-held long-term marketable debt about $250 million (or a total increase in the cost of the debt held outside of the banks and business corporations of about $1 billion). But, this increase in interest payments would mostly be made directly, or indirectly, to the mass of the people and not to any special groups.

The larger portion of the debt held by the Federal Reserve and commercial banks and business corporations is short-term in character, and its cost of interest will fluctuate. In periods of boom or inflation its cost might well be higher than it is today, and in periods of recession it undoubtedly would be less.

The alternative to increases in the interest cost of the debt that follow from appropriate debt management is a larger increase in the cost of government and a decrease in the purchasing power of everyone's dollars.

The fifth point concerns **the organization of the market for Treasury securities and the departure from impersonal dealings in Federal open-market operations.** Except for Treasury and Federal Reserve operations, the market for Treasury securities is made by the actions of large and small investors in the purchase and sale of Treasury securities of all types. Dealers are the intermediaries through which the transactions in marketable securities take place, and the dealers fall into two groups: (A) those who endeavor to make such transactions a principal or important part of their business, and (B) those whose transactions are on a smaller scale or represent a subsidiary operation. Dealers in Group A are referred to as Government security dealers and number about 20 firms including the bond departments

of some large commercial banks. More than one-half of these dealers transact business on a nationwide basis. Their customers run the gamut of Treasury security holders and include the several thousand organizations which comprise Group B.

A dozen, or thereabouts, of the Government security dealers make a primary market in money-market securities, such as Treasury bills, and almost as many regularly make a primary market throughout a cross-section of Treasury notes and bonds, other than restricted issues. I would say that no more than six dealers regularly make a primary market in restricted bonds, those which were the principal source of concern prior to the accord.

A primary market is one where the prices quoted by a dealer represent those at which he will buy or sell for his own account, in reasonable amounts, as the customer elects. By and large, "a reasonable amount" may run from $1 million to $5 million in Treasury bills and from $500,000 to $1 million in long-term bonds. Frequently, however, primary market dealers will accommodate larger transactions "at the market."

The activity of investors throughout the country is transmitted quickly to the Government security dealers and, particularly, to those who make primary markets. The willingness of such dealers to buy or sell for their own accounts helps to impart to Treasury securities that measure of ready marketability the investor values and the credit of the Government deserves.

The Government security dealers obtain at first hand the reactions of investors of all types to the various policy decisions that are made by the Treasury with respect to debt management, and by the Federal Reserve with respect to bank credit, and to the manner in which such policy decisions are executed. Some of the methods, techniques, and judgments of investor reactions in the execution of these policies had results that were the opposite of those intended and aggravated already undesirable situations, although such repercussions were sometimes foreseeable.

With respect to the relationship of the Federal Reserve to the dealers may I have the permission of the Committee to insert in the record an article which appeared in the New York "Times" Sunday edition of March 9, 1952?

The terms under which the Federal Reserve Bank of New York "recognizes" dealers more or less prevent public statements by any "recognized" dealer as to practices that involve (a) "elements of selectivity in security transactions," (b) identification to the New York Federal Reserve Bank of the customers who wish to sell or buy, and (c) informatiion why the sale or purchase was desired.

The resulting personalization of Federal open-market transactions was acknowleged in the response of the Chairman and Vice-Chairman of the Open Market Committee. The reactions of Treasury security holders to these practices ranged from tacit acceptance, to annoyance, to considerable resentment, and stimulated more selling of Treasury securities than it discouraged.

The response of the Chairman and the Vice-Chairman states **it is the desire** of the Federal Open Market Committee to conduct **all** of its transactions on a completely impersonal basis, and now that the policy of pegging government securities is not being followed this is the general policy and practice of the System.

The statement made jointly by the two senior officials of the Federal Open Market Committee are and must be considered as definitive. Since the private market is the instrument through which Federal Reserve transactions in Treasury securities are to be maintained on an impersonal basis, and since an increased reliance on the primary markets made by dealers followed from the cessation of fixed or minimum price support by the Federal Reserve, a review by the Federal Reserve (a) of the degree of encouragement it offers to such dealers, (b) of its organization for the conduct of open-market operations when these are necessary and (c) of its relationship to government securities dealers, in general, might have some constructive results.

Suggested Types of Treasury Securities

Finally, may I illustrate by **examples** the type **of Treasury securities** that I believe **would attract a maximum demand from the public**, and which are consistent with the points of view I have expressed.

First—the savings bonds.

I believe they should more closely approximate, in design and terms, a savings deposit, something the mass of savers is familiar with and which might eliminate the need to explain "scales of redemption prices," "yields to maturity," and the like.

It is necessary to withhold from the rest of the money supply that portion of the World War deficit that was financed by savings bonds. It becomes necessary, therefore, to aim at two seemingly incompatible goals, namely, to compete for private savings and at the same time to protect the private savings institutions.

Finally, it seems necessary to provide for flexibility in the rates of interest to be paid so that these may be made consistent with changes in the objectives of debt and credit management.

Therefore, I would offer, in substitution for the Series E bond, a savings certificate that is issuable and redeemable at par, on suitable notice. The rate of interest would be adjusted semi-annually by public notice.

If such a security were to be offered now, the rate of interest would be attuned to current economic conditions but whatever the rate, it would apply to only the first six months' interest period. The rate of interest to be paid in succeeding interest periods would be determined in the light of the economic conditions then prevailing. For example, the rate of interest to be paid for the six months beginning Jan. 1, 1953, might be unchanged, or be decreased or increased by ¼% or by ½% or by whatever seems the most appropriate.

Holders of the outstanding Series E bonds should be permitted to convert these into the new savings certificate.

New purchases for cash should be limited so as to assure protection to private savings institutions against large withdrawals of deposits.

The idea of seeking to preempt the funds of non-bank investors during periods such as these holds a lot of appeal. I would offer in the very near future two issues of long-term unrestricted bonds. One might be a 25-year bond, callable in 20 years, bearing a 3% interest rate, and the other a really long-term bond maturing perhaps in 50 years, callable in 40 years, and bearing an interest rate of 3¼%. The combination would enable the Treasury to test the preferences of investors (1) for the lower rate issue of shorter term and (2) for the higher rate issue of quite long term.

Primarily, the offering would be for the purpose of encouraging maximum purchases from non-bank institutions. To that end, the Treasury should accept subscriptions for immediate delivery and subscriptions for forward delivery with the latter timed to coincide with periods when the Treasury's balance otherwise would be at a low level, such as Aug. 1 and Nov. 1, 1952.

The prospects for a favorable result would be vastly improved if it became public knowledge that in periods of boom and inflation the Treasury would seek to sell the maximum of high-rate securities and during periods of depression it would be basic policy to concentrate new issues in the short-term area.

With the combination of a new savings certificate and of the marketable bonds, I believe the Treasury would be able to raise substantial sums from the public with a corresponding reduction in the necessity of bank financing and the resultant increase in the money supply.

Summation

In summation, it seems to me that for debt management to be able to counter strong inflationary or deflationary forces it should provide securities that are suited to the economic needs of the period.

Purchases or sales of Treasury securities by the Federal Reserve for the purpose of maintaining orderly market conditions should be confined to a minimum.

The cost of interest on the public debt represents payments made largely to a cross-section of the American people, and if an increase in the costs follows from debt management that aims to counter strong inflationary forces effectively, this is to be preferred to the alternative costs of a larger increase in the cost of government and a decrease in the purchasing power of everyone's dollars.

The increased reliance on the primary markets of Government security dealers that followed the cessation of fixed price support for Treasury securities, suggests that a review by the Federal Reserve of the conduct of Federal open market operations and of its relationship to the dealers in general might have some constructive results.

Properly designed Treasury securities, offered for immediate and future delivery, which will aggressively seek the savings of individuals and the funds of non-bank institutions, would substantially reduce the necessity for bank financing, which increases the money supply.

Most important of all, if money is to remain our servant and not our master, Federal Reserve officials must be encouraged to discharge their responsibilities with consideration **only** for the economy as a whole.

Continued from first page

As We See It

can be done about it so long as costs remain as high as they are now—to say nothing of giving them another boost.

An Even More Vital Aspect

As important as it is to bring an end to these eternal demands for more wages for less work, there is in all this another and even more vital aspect. The root of the difficulty in this steel case is the monopoly which has been granted to the labor unions of the country. President Roosevelt used to appeal to the farm vote with the statement that what he wanted was for the farmers to set up their own control system and their own subsidy system—at the expense of us all, of course. So far as we can recall off-hand no such bald statement of the official attitude toward labor was commonly made, and no such blank check was signed.

But it might just as well have been. Every conceivable encouragement was given to the wage earner to join unions and to leave their fate to union leaders who, for the most part, were politicians par excellence. One of the favorite themes of the Roosevelt regime at one time was "unity" in the ranks of labor—by which was apparently meant concentration of the power of the unions in one organization, or a closely knit, harmoniously operating set of organizations. He never did quite succeed in this aim, and neither has his successor, but the difference has grown increasingly unimportant in recent years, as conflict between the main wings of the so-called labor movement in this country has all but disappeared.

Single labor organizations, dominated by handfuls of labor leaders, dominate whole industries. They can at will shut down these industries. Certain powers in the so-called Taft-Hartley Act and in some of the other legislation of the day place instruments in the hands of the Administration to deal with this mass phenomenon in labor, but they do not and ordinarily cannot relieve the Administration or any other regime of the political threat inherent in a system of labor organizations where all the arts familiar to the Kremlin—and some of the power—are at the beck and call of the leaders at the top. Or at least such seems to be the conclusion of virtually all politicians in places of power. Only in the most extreme cases is there a disposition on the part of officialdom even to try to keep the unions in line.

Eliminated Competition

What has been done, and apparently done quite consciously and with purpose aforethought, is to eliminate any traces of competition from the labor scene. No longer does any union or members of any union have to give a second thought to the possibility that it or they may be replaced should a strike be called. Not infrequently tactics are employed which in other circumstances would promptly and quite warrantably result in discharge of guilty workers. Significantly enough, no one ever even thinks of such a course of action any more. It simply is out of the question with the organizations what they are today.

In short, the unions have now got to the point or are rapidly getting to the point where they expect as a matter of right to fix their own wages, their own hours, their own conditions of work and their own rate of output—just as the farmer was told a decade and a half or more ago to write his own ticket. This is the sort of situation which gives rise to such results as those now being witnessed in the steel industry. It is very likely to come up in the very near future in the coal industry—and so on. We shall not be free of continually recurring situations of this sort so long as we have monopoly conditions to contend with in labor circles. This is the lesson, or one of them, which the steel case should bring home to the American people with the utmost force.

Obviously this goes much deeper than what increase in wages or other benefits, if any, the workers in the steel industry should have. It far surpasses in importance any question of what rise in prices should accompany a grant made in a political year to organized labor in the steel industry. In order to catch votes in industrial centers, the politicians have created a monster in our midst which often succeeds by hook or by crook to tell the politicians themselves what they must or must not do. We have long felt that a vigorous leader coming forward to challenge the political might of the Murrays, the Reuthers and the others would find his work politically profitable. We still think so, but few politicians seem to care to risk the fight.

A Great Opportunity

This is an election year. The people themselves can reassert their leadership and bring this ruinous state of affairs to an abrupt end if they so elect. The question is: Are they prepared to do any such thing, and how do they organize themselves for the task? We can think of few more vital matters.

Continued from page 4

Investment Policy In a Changing World

tion nor serious decline in business activity this year. Looking further ahead, it seems obvious that our continuing expansion of productive capacity—by the end of this year we shall have put $132 billion of new plant and equipment in place since the end of World War II—will eventually outrun our capacity to consume and necessitate a thoroughgoing business readjustment, or deflation. But defense spending will be a powerful back-stop; in fact, will prevent the bottom dropping out of the economy until at least 1954, on the new spending schedule.

The Outlook for Canada

While I would not presume to present the short-term outlook for Canada to this group of experts, I should like to make a few observations on your longer-run outlook. But, first, let me warn you, I am indeed prejudiced. Since 1927, when I had a job which required me to closely follow Canadian economic developments and forecast your business trends, I have been an incurable optimist on your country. In fact, as early as 1928 I advised a company which had the alternative to exercise an option on the Canadian rights to a patent rather than on all of South America!

In addition to your incalculable natural resources, you have had, with the exception of a few deviations some time ago in the Prairie Provinces, the benefit of wise governmental economic policies.

You did a better job of financing World War II than we did. In the postwar period, in every year since 1947, you have had budget surpluses and debt retirement without resort to excess profits taxes or direct wage or price controls. You have the advantage of lower corporation taxes. You have had the foresight to restrict your capital gains tax to professional speculators. Finally, you, as well as we in the United States, have avoided severe price and credit inflation, and today your dollar is no longer at a discount.

The effect, for good or ill, of government policies on the economic welfare of a modern nation can hardly be overestimated. The recent announcement of meatless days in the Argentine, the land of beef, indicates the damage that can be done by unwise policies. Coal production in Great Britain is another good example. Although the experts say that the United Kingdom has enough reserves to produce 250 million tons of coal a year for 200 years, and 276 million tons were actually produced in 1937, only 216 million tons were produced in 1950, and it was necessary to import coal at the expense of badly needed food! Another example which we have constantly before our eyes is the fate of Paris as a once powerful financial center.

Continuation of your wise policies with regard to inflation and industrial expansion will attract an increasing flow of dollars from American investors to develop your industries and your natural resources. The "boiler shop" methods, especially the long-distance telephone calls by high-pressure salesmen to people on sucker lists in the United States, have left some scars. But they will be forgotten, as Canada today, in terms of economic opportunity, stands about where the United States did 50 years ago. The economies of our countries will continue to be interwoven and interdependent, and while the United States is still the land of opportunity, Canada is the land of **golden** opportunity!

The Outlook for Corporate Trusteeship

Although trusteeship is an ancient concept and practice, the dynamic character of the world today makes it more necessary than ever before. This is particularly true of Canada, where you can confidently look forward to a great inflow of capital, as well as a great increase of your national wealth. Increasing wealth and increasing complexity of the investment market make the growth of corporate trusteeship inevitable.

Also, there is particular and increasing need for machinery whereby the savings of the man in the street can be safely used to finance the economic development necessary for his employment and economic well-being. Investment trusts are one of the agencies designed for this purpose, but many of them have stressed the sales element at the expense of other, more vital considerations. The so-called common trust funds of trust companies are a particularly promising effort toward the solution of this problem of access to investment market opportunities for those of small and medium means. Although relatively new in the United States, common trust funds have proved quite beneficial to all concerned.

The rapid and ceaseless change characteristic of the modern world necessitates a high degree of specialization for the successful investment of funds. This is especially true as investment opportunities are increased through the widening of the list of securities which can be bought by those responsible for the funds of others. The Prudent Man Rule, such as we have in Massachusetts, or even the 35% Prudent Man Rule of New York, require a high degree of skill for successful results.

The dynamic character of our times makes continuous supervision a categorical imperative. History teaches the sad but inescapable lesson that **although there are countless long-term securities, there is no such thing as a long-term investment!**

Times change; borrowers change; and lenders change. It is a continuous process which requires eternal vigilance, hard work, and sound judgment. There is no short-cut; no infallible pattern; and no fool-proof formula.

As evidence that I practice what I preach, may I say that since I started teaching Corporation Finance in 1925, I have never given an oral opinion on the value of any security. I have invariably told student, and other, inquirers that **I will answer such questions only on a written and continuing basis!**

The trustee has still another serious problem in the investment of the funds placed in his care. Preservation of the dollar values entrusted to him has always been recognized as the trustee's first responsibility; but, in recent years of shrinking dollars, preservation of the purchasing power of the trust has been advocated as a further responsibility, or, at least, as a goal. This is a "large order," as it is in many respects contradictory to the primary responsibility; but in times when the purchasing power of the currency is depreciating it becomes a necessary consideration.

Overemphasis on the preservation of purchasing power is unwise from a trust investment standpoint because, unfortunately, no way has yet been devised whereby this can be done without multiplying the risk. Mathematically, this is a truism despite all the recent claims to the contrary. Although overemphasis should be sternly avoided, the assumption of some risk in this respect is socially desirable; moreover, a reasonable amount is warranted in the case of most trust funds. A competent, conscientious trustee is in the best position to decide the relative proportions advisable for each trust fund under the prevailing economic and monetary factors.

The Outlook for Bonds

There are several important new factors in the outlook for bonds, the premier trust investment.

The most basic development has been the sharp upward movement of interest rates throughout the Western World in recent months. In Britain, Consols dropped to around 60 from a high of 99½ in 1946. You have sharply increased your rate on savings bonds to 3½% and other rates are also tighter. In the United States, since the so-called "accord" between the Treasury and Federal Reserve in March, 1951, long-term government bonds have been on a higher yield basis, and other bond rates had increased even before the peg was removed. In recent weeks, most of the savings banks in New York have increased their rates to 2½%, and some New York City commercial banks have increased their rates on savings to 2% on the first $10,000 of balance.

Will this trend toward higher rates continue much longer? On the basis of a recent detailed study of the outlook for interest rates in the United States, I have come to these conclusions for 1952:

(1) Demand will be less, as all booms except the defense production boom have leveled off or declined.

(2) Supply of capital from both personal and institutional sources will be larger than last year.

(3) The Treasury, the Council of Economic Advisers, the President and the Congress want lower rates.

(4) The monetary authorities will probably be willing to fit their tight money and higher rates policy to the new realities of more stable prices and the need for substantial Treasury refunding and borrowing, to say nothing of the Patman investigation.

As I see it, these mean lower interest rates next fall, or early next year.

The Outlook for Equities

The outlook for equities in the United States is not good.

Since last March, profits, both before and after taxes, have steadily declined. But even more bearish was the tendency toward over-production which was reasserted by the American economy. This has come as a distinct shock to the younger generation of investors and business men.

The ability to maintain the highest standard of living in our history, to prepare for all-out war through the greatest plant and machinery expansion ever undertaken, to carry on a shooting war in Korea, to aid the Free World with economic assistance and military goods, to build more housing units than ever before, with one exception, and, at the same time, produce so much goods that an inventory recession materialized, has raised the serious question of what will happen when military spending declines, or possibly, even before!

While no one can be certain as to what will happen, the very uncertainty indicates that a cautious policy should be followed in the investment of trust funds. Whereas in recent years there has been a tendency, where permitted, to shift from bonds to stocks to preserve purchasing power against the ravages of inflation, the present outlook calls for the opposite. This is not to say that common stocks should not be bought or held by trustees. It is, instead, a frank recognition of the fact that preservation of purchasing power is no longer a burning question. This means trustees can once more concentrate on their primary function of conservation of principal.

Conclusions

My belief that trustees in the months ahead should view stocks with less favor is based on the following conclusions:

(1) The possibility of all-out war is decreasing, which means military expenditures will eventually be reduced.

(2) Reduction in military spending will adversely affect stocks.

(3) 1951 taught the hard lesson that even with heavy military spending, we can have a recession in large parts of the economy.

(4) The outlook for net profits in 1952 is for a further reduction.

(5) The yield on bonds has shown a considerable increase.

(6) Interest rates will decline or, at least, level off, as soon as capital and military expenditures decline.

(7) The price level shows strong indications of stabilizing, or even declining—with inflation quiescent, there is no longer the need to attempt to offset the decline in purchasing power of the trust income.

The exact timing of any such change in investment policy should, of course, be determined by the individual trust officer, because of his knowledge of the securities held and the position of the beneficiary of the particular trust fund. But a broad view of economic trends, particularly of interest rates and commodity prices, will be of great help in protecting the conflicting interests of the beneficiary and the remainderman.

Joins C. A. Botzum

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles H. Wilson has joined the staff of C. A. Botzum Co., 210 West Seventh Street.

With Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James B. Frank has become affiliated with Samuel B. Franklin & Company, 215 West Seventh Street.

Joins Marache Sims

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Arthur W. Wright has become connected with Marache Sims & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Life Cos. Add Slightly to Equity Holdings

Holdings of common stock increased less than $100 million since New York law permitting common stock investments was enacted in March last year.

In the first year of operation of the law passed last March in New York State, permitting life insurance companies under its jurisdiction a limited investment in common stocks, the life company holdings of common shares increased less than $100,000,000. Total common stock holdings of the life companies are now about $650,000,000, according to the Institute of Life Insurance.

"Due in part to their extensive commitments in bonds and mortgages, especially those for defense financing, and to improved bond yields, the companies have been moving slowly to take advantage of the liberalized investment law," the Institute commented. "The common stocks acquired in the past 12 months amounted to about $150,000,000, which was less than the acquisitions of the previous 12 months."

Opened New Channels

It was estimated when the permissive legislation was adopted that New York State companies could invest somewhat more than $500,000,000 in common stocks, and that out-of-state companies doing business in New York but limited by the "substantial compliance" provision of the law, could add some $300,000,000 of common stock holdings. Aggregate common stock holdings were then about $550,000,000.

All but nine states now permit life insurance companies to invest in common stocks, the exceptions being Arizona, Colorado, Iowa, Michigan, Mississippi, Missouri, Montana, Oklahoma and Wyoming. In some states companies have invested as much as 10% or more of their assets in common stocks, but in most states the figure is nearer 2%. The New York law permits investment in qualified common stocks up to 3% of total assets, or one-third of surplus of the insurance company, whichever is the lesser amount. This would usually work out at about 2% of assets.

Gross, Rogers and Barbour, Smith Merge

LOS ANGELES, Calif. — Announcement has been made of the merger of Gross, Rogers & Co. and Barbour, Smith & Co. and consolidation of facilities in the present quarters of Gross, Rogers & Co. on the ground floor of the Jonathan Club Building.

Lester, Ryons Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Eugene G. Boudin has been added to the staff of Lester, Ryons & Co., 623 South Hope Street, members of the New York and Los Angeles Stock Exchanges.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Robert W. Sparks, First Vice-President and Treasurer of **The Bowery Savings Bank of New York** will speak on his impressions of a recent tour of military and economic high spots of Western Europe at the March meeting of the **Association of Bank Women.** The dinner meeting will be held today (March 27) at 6 p.m., at the Advertising Club, Park Avenue and 35th Street, New York. Miss Catherine Cleary, First Vice-President of the Association of Bank Women, and Trust Officer of the First Wisconsin Trust Company of Milwaukee, will be a guest of honor.

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M. Scovell Martin, Vice-President of the **Bankers Trust Co. of New York**, has joined **The Legal Aid Society**'s annual fund-raising drive as Chairman of the Commercial Banks Division, according to an announcement by R. Gordon Wasson, Vice-President of **J. P. Morgan & Co. Inc.**, who is General Chairman of the 1952 Campaign. Mr. Martin is also a member of the New York State Bar Association. In 1951, The Legal Aid Society served an estimated 50,000 persons who were unable to pay even a modest fee to a private attorney. A minimum of $325,000 must be raised in the current campaign to meet the increasing demand for the services of the organization.

* * *

Horace C. Flanigan, President of **Manufacturers Trust Co. of New York,** announces that Clifford J. Zoller of the bank's Branch Loan Administration has been advanced to Assistant Vice-President. Mr. Zoller has been with Manufacturers Trust since 1927, and at present makes his headquarters at the bank's office at 209 Montague Street, Brooklyn. At the same time, it was announced that Walter R. Graham of the Real Estate Department was made an Assistant Secretary and Franklin Freeman was named an Assistant Trust Officer. President Flanigan has also announced that Charles W. Carvin, President of Charles W. Carvin Co., Inc., has been named to serve on the Advisory Board of the bank's Fourth Avenue Office, at Fourth Avenue and 27th Street. Prior to the formation of his own company in 1948 Mr. Carvin was Vice-President and Director of Industrial Rayon Corp.

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Kenneth C. Towe, President of the American Cyanamid Co., has been elected a director of the **Guaranty Trust Co. of New York.** Mr. Towe has been President of the chemical company since Jan. 22, having succeeded the late Raymond C. Gaugler, who was also a director of the Guaranty Trust Co. Mr. Towe is also a director of several companies associated with American Cyanamid Co. and of the Putnam Trust Co. in Greenwich, Conn. Mr. Towe was a Captain in the Army during World War I, and prior to 1926, when he joined American Cyanamid Co., he was with the Roanoke Mills Co. and the Childs Co.

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Charles J. Stewart, President of the **New York Trust Co.,** at 100 Broadway, New York, has announced the appointment of George R. Macalister, Jr., as an Assistant Treasurer. Mr. Macalister, a member of the Graduate School of Banking at Rutgers University, Class of '52, has been identified with commercial banking since 1935 except for three and one-half years in the United States Army during World War II. He will be associated with commercial banking activities at the Trust Co.'s Madison Avenue and 40th Street office.

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E. Chester Gersten, President of **The Public National Bank & Trust Co. of New York**, announced the opening on March 24 of a new office of the bank at 682 Broadway. This new 26th Public National office in Greater New York is located at Broadway and Great Jones Street, opposite West Third Street. Heading a staff selected for specialized knowledge of and experience with the banking requirements in this area is Emanuel Schwartz, Vice-President, who has been associated with Public National for more than 25 years. Other executives include Barnet Port and Jerome Twomey, Assistant Vice-Presidents, and Nathan Levine, Assistant Cashier. The new office is equipped to furnish complete banking service with modern air-conditioned facilities.

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De Coursey Fales, President of **The Bank for Savings in the City of New York,** announces that the Board of Trustees has appointed William J. Clark as Secretary of the bank and Ludwig J. Stetka as Assistant Auditor. Mr. Clark was Assistant Secretary, and has been with the bank since 1941. Mr. Stetka became associated with the bank in 1928 and is in the Auditing Department.

* * *

Louis A. Scofield, Vice-President in charge of Westchester operations, Consolidated Edison Co. of New York, has been elected a Trustee of **Union Dime Savings Bank of New York,** according to an announcement by J. Wilbur Lewis, President of the bank. Mr. Scofield, a native New Yorker, has been associated with the Consolidated Edison System for 40 years. He saw active duty in World War I, and during World War II as a consultant to the staff of Lt.-Gen. Brehon Somervell, he reorganized the industrial personnel division of the Army Services of Supply.

* * *

The 96th Street office of the **East River Savings Bank,** at 743 Amsterdam Avenue, New York, celebrated its 25th Anniversary March 5. The 96th Street office was the first of the four branches of the East River Savings Bank, and is the largest office. As of Jan. 31, 1952, the branch had 61,776 depositors with total deposits of $102,625,678.70. The anniversary was celebrated at a luncheon for 15 employees of the bank who were working at that office on its opening day in 1927, plus two of the trustees who then served on the board, the first depositor and other officials of the institution.

* * *

Construction work has started on the main office at 385 Madison Avenue of **The Manhattan Savings Bank of New York,** Thomas C. Grady, President of The Webb & Knapp Construction Corp., announced on March 22. The bank's new space, taking in two floors and basement, will be ready for occupancy Jan. 1, 1953. The bank will front on Madison Avenue at the southeast corner of Madison and East 47th Street and run the full length of the street to Vanderbilt Avenue. There will be entrances from each street in addition to access from the main lobby at 385 Madison. The facade and interior will be modern in every respect with stainless steel, glass, marble and teakwood being used for structural and decorative purposes. Willard K. Denton, President of the bank, in a recent announcement of the signing of a $6,000,000 lease on this space said the Grand Central-Madison Avenue midtown section was, in his opinion, becoming the banking center of the nation.

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The Central National Bank of Mineola, Long Island, N. Y., increased its capital, effective March 12, from $505,000 to $600,000, having enlarged it by the sale of new stock to the amount of $95,000.

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A stock dividend of $127,000 has served to increase the capital of the **First National Bank of Cortland, N. Y.,** from $510,000 to $637,000, the new capital having been made effective March 7.

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As of Feb. 29 the **Wellesley National Bank of Wellesley, Mass.,** reported a capital of $330,000, increased from $270,000 by the sale of $60,000 of new stock.

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A proposal to offer to the stockholders of the **Peoples First National Bank & Trust Co. of Pittsburgh, Pa.,** 200,000 additional shares of stock of the bank was approved by directors Mar. 18, and a special meeting of the stockholders will be held on April 7 to act on the plans to increase the capital, according to Robert C. Downie, President. This is learned from the Pittsburgh "Post-Gazette" of March 19, which in part also reported:

"There will be 800,000 shares outstanding after the sale. It is planned to offer the 200,000 shares to stockholders on the basis of one share for each three shares held of record April 7. The price, to be fixed by directors and approved by shareholders, will be a minimum of $40 per share. A total of $8,000,000 thus is involved.

"The plan to increase the capital has no connection with the possible merger with the Colonial Trust Co., Mr. Downie said. The joint committee named by the two banks has not yet made a report with reference to the advisability of such a merger.

"In connection with the proposed stock offering, the bank plans to enter into an underwriting agreement with the First Boston Corp., Merrill Lynch, Pierce, Fenner & Beane and Paine, Webber, Jackson & Curtis. The underwriters would purchase any shares not subscribed for by shareholders."

* * *

Advices to the effect that the **Carnegie National Bank of Carnegie, Pa.,** will become the Carnegie office of the **Mellon National Bank and Trust Co. of Pittsburgh,** subject to the approval of the stockholders of the Carnegie institution, appeared in the Pittsburgh "Post-Gazette" of March 19. The change is expected to take place next month, said the paper referred to, from which we also quote:

"Frank Rome, President of the Carnegie bank, will become Assistant Vice-President and manager of the new office. John Chonoski, Cashier, and Robert A. Gray, Assistant Cashier, will serve as assistant managers. An advisory committee will be formed from the present board of directors of the Carnegie bank.

"The Carnegie National Bank was organized in 1902 as a successor to the R. P. Burgan private bank that was founded in 1874. It now has deposits of approximately $8,000,000 and capital and surplus of $600,000."

* * *

Aubrey V. Kidd, Cashier of **The Bank of Virginia, at Richmond, Va.,** was honored at a meeting of the bank's Richmond staff on March 21, on occasion of his 25th anniversary of service with the bank. He becomes the 11th member of the bank's "25-Year Service Club." Thomas C. Boushall, President, presented Mr. Kidd with a pair of silver candelabra as a gift of the bank. Mr. Kidd began his banking career as a bookkeeper in 1927. He became an auditor in 1934, an Assistant Vice-President in 1945 and Comptroller the following year. He was named Cashier in 1947. Since 1950 he has been Secretary of the bank's board of directors and of the Executive Committee.

* * *

The capital of the **Northwest National Bank of Chicago** has been increased from $400,000 to $500,000, the $100,000 addition having resulted from the sale of new stock. The enlarged capital became operative March 6.

Otto H. Preus, heretofore Assistant Vice-President of the **Marquette National Bank of Minneapolis, Minn.,** has been elected Vice-President, Russell L. Stotesbery, President, announced. Mr. Preus joined Marquette's Dept. of Banks and Bankers in February, 1948. In his new senior capacity he will continue active in that department. Before joining Marquette, Mr. Preus was Cashier of the State Bank of Cokato for nine years. Prior to serving with the Navy in World War I, he attended Luther College, Decorah, Iowa. After his discharge in 1919, he was associated with Bankers National Bank, Minneapolis, and later, with the former Payday National Bank. From 1924 to 1933 he served with the Minnesota State Banking Department. Mr. Preus has also been an officer of the First International Bank, Williston, N. D., and Cashier of the Peoples State Bank of Cambridge, Minn.

Railroad Securities

Northern Pacific

There is practically no argument among rail analysts against the thesis that the recent renewed bulge in Northern Pacific common stock has placed it far above any reasonable evaluation as a railroad equity. At last week's close the stock was selling just about 13 times the 1951 earnings of $6.44 a share. Moreover, there appears to be little reason for expecting any spectacular increase in these earnings over the reasonably near future. At the present indicated dividend rate of $3.00 per annum the income return is 3.6%. Here, again, there appears to be little likelihood of any material increase over the visible future.

The answer to the spectacular action of the stock and its relatively high price-earnings ratio lies, of course, in the romance of the oil potentialities. At least, so far as the public is concerned, Northern Pacific today is a railroad in name only and its railroad operations are merely incidental. Fundamentally it is viewed as an oil stock, with the railroad end of its business important only temporarily as providing the means for paying dividends in the interim period while the full potentialities of the oil and gas are being developed. In the opinion of many oil men the stock at current levels has not even yet nearly discounted the oil and gas possibilities.

Northern Pacific is the most important company in the Williston Basin in which oil was initially discovered just about a year ago. Later discoveries, and the vast size of the area covered, have given rise to the belief in many quarters that this may prove to be one of the country's most important oil sections. Northern Pacific management has estimated the company's holdings in the Williston Basin at 3,200,000 acres in a belt stretching across 50 miles of North Dakota and 60 miles of Montana. Other competent sources, interpreting the Williston Basin as being of greater extent, estimate the road's holdings at some 4,300,000 acres. Either estimate would place the road among the leaders in the field, right up with some of the most important of the strictly oil companies.

There is still no definite information as to just how and when the Northern Pacific oil properties will be exploited. Presumably it will be some time before the road receives any really sizable income from this source. Last year oil and gas royalties aggregated $694,056. This represented a gain over the $551,966 realized a year earlier but even at that amounted to only $0.28 a share on the Northern Pacific stock outstanding. The current income, and even the time element, appear to cause little concern to speculators so long as the eventual prospects remain so impressive, and possibly spectacular.

The magnitude of the eventual prospects is obvious when it is realized that independent estimates of 4,300,000 acres would work out to 1.73 acres per share of stock outstanding. On a per share basis this represents by a considerable margin the largest indicated holdings of any of the major oil companies in the field. Oil analysts also point out that Northern Pacific has another important advantage over the general run of oil companies in the area. Its acreage is held in fee or represented by retained mineral rights (including oil and gas) in property sold in earlier years.

Holdings of most of the other companies in the area are represented by leases. Such leases involve the expense of rental payments, as well as the obligation to drill and do a certain minimum of development work within a specified period. Northern Pacific has no lease rentals to pay and no drilling obligations. It is in a better position than others, then, to watch developments and map out its prospective operations without making premature or needless financial commitments. Despite the fact that the stock is obviously relatively way overpriced as a rail equity, it still appears as a most attractive speculation on oil developments in the Williston Basin.

Otto H. Steindecker

Otto H. Steindecker, Vice-President of the New York Hanseatic Corporation, New York City, passed away at the age of 63 after a long illness.

Otto H. Steindecker

Mr. Steindecker, who came to New York in 1912 from Germany, was a foreign exchange broker here until joining the New York Hanseatic Corporation in 1926.

Mr. Steindecker was a member of the Board of Governors of the New York Security Dealers Association and a member of the Security Traders Association of New York.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The constructive tone which has been in evidence in the government market continues, and it is believed this will prevail for a while because the forces that are operating in the money markets appear to be pretty well in balance. This means that buyers seem to be a bit more aggressive in their purchases while sellers have not been inclined to let obligations go until prices have nearly reached their levels. There is more give and take in the market than has appeared for some time. This has resulted in greater business being transacted even though volume is not anywhere near as large as it was in more normal times.

The short market is still in a favored position as far as the banks and many institutions are concerned. Liquidity preference has not been relegated to the background by a long shot, despite some lengthening of maturities. The near-eligible tap bonds appear to be getting real attention as well as the bank 2⅜s, the longer partials, and the September 1967/72s.

Demand from Small Buyers

The government market, both from the long and short ends appears to be enjoying a period of buoyancy, with activity also showing a tendency to expand. To be sure, the increase in volume has not been too substantial, but it has been large enough to make an impression upon many operators in government securities. It should be indicated, however, that the better volume which has been appearing in Treasury issues, is not due to the return of large institutional buyers in quantity. According to reports, it is the so-called small buyers of government securities who are returning to the market, and these purchases, when all put together have resulted in more business being done in these obligations.

Non-Bank Buying Impressive

The demand in the longer end of the list has been divided, particularly in the restricted issues, with the interest fairly well apportioned between the near-eligibles and the June and December 1967/72s. The acquisition of the 1952 eligible tap bonds has been rather widespread, with fire insurance companies, charitable organizations and pension funds reportedly the main factors in these operations. There has been both outright new money purchases as well as switches into these securities from other Treasury obligations.

The June 2¼s of 1959/62 have been giving the 2½s due 1962/67 a battle for leadership, but it seems as though the latter issue is still able to hold its prime position in the spotlight. On the other hand, there has been better buying and a larger interest appearing in the longest two restricted bonds, with the principal acquisitions being made by private trust accounts and pension funds. The tendency to do both some spot and price follow-up buying appears to be expanding. The spot buying, however, has not been as extensive as it was some time ago because there have been fewer blocks of bonds appearing in the market for sale. As to the stepping up of prices in order to get desired issues there seems to be a bit more of this going on since it has not been possible to get the full amount of the needed obligations without improving quotations.

The very limited floating supply of the longer Treasury obligations is the reason for the improved bids which have to be made here and there in order to bring securities out from hiding. Dealers, it is indicated, however, have been making attempts at building up positions, but so far these efforts have not been carried out with the courage and conviction that now is the time to get involved in an important way with long-term inventory.

Bank Eligibles in Demand

The bank-eligible Treasury issues have been under accumulation by deposit institutions from many sections of the country with the south, the middle west and southwest banks the important buyers of these securities. In this case also, the purchases, it is reported, have not been large in amounts, but they add up, because of the fairly sizable number of institutions participating. The 2⅜s, it is reported, have been the prime favorites of these institutions, with the 1956/58s, the 1956/59s and the longest eligible issue coming in for more than a passing amount of attention. The partially exempts, especially the last three maturities, have also been well taken by these banks with some competition for these issues coming from the large money center institutions, particularly those in New York and Philadelphia.

New York Broadens Bank Investments

The passage of the law in New York State to allow savings banks to purchase preferred and common stocks will most likely have an influence upon government securities and state and municipal obligations. The net return on preferred and common stock will be much better than the yields which would be obtained in Treasurys and the tax-free obligations. It is indicated, however, that the savings banks will not be inclined to rush their purchases of stocks. It is believed that preferred stocks will make up the bulk of the initial commitments by the savings banks.

Municipal Bond Club Outing June 13th

David T. Miralia of Halsey, Stuart & Co. Inc., President of The Municipal Bond Club of New York, has announced that the

David T. Miralia

Fred D. Stone, Jr.

club's annual outing will be held at the Westchester Country Club and Beach Club, Rye, N. Y., on Friday, June 13. He also announced that Fred D. Stone, Jr., of The Marine Trust Company of Western New York has been appointed General Chairman.

Assisting Mr. Stone will be: the Finance Committee with Philip M. Hiss of the First National Bank of Chicago as Chairman; the Arrangements Committee with Gordon B. Duval of the Guaranty Trust Company of New York as Chairman; the Sports Committee with David H. Callaway, Jr., of the First of Michigan Corp. as Chairman, and the Public Relations Committee with L. Walter Dempsey of B. J. Van Ingen & Co., Inc., as Chairman.

Kelly Named Pres. of Curb ¼ Century Club

Edward B. Kelly, Assistant to the Vice-President in the admissions and business conduct department of the New York Curb Exchange division of transactions, has become President of the Curb Exchange Employees Quarter Century Club, it was announced following the annual meeting. Mr. Kelly succeeds Christopher Hengeveld, Jr., who is Vice-President of the exchange in charge of the division of administration.

Joseph J. Kroll, an examiner in the division of securities of the exchange, was elected Vice President of the Club and Joseph R. Mayer, director of the finance department, has been reelected Secretary-Treasurer of the organization.

Mr. Kelly, a life-long resident of Brooklyn where he attended Cathedral College, started his Wall Street career as a page boy on the trading floor of the Curb Exchange in 1924. Shortly after, he was assigned to the admissions section of the secretary's office and has been associated with that section of exchange administration ever since. He is a member of the Wall Street Post of the American Legion and served in the U. S. Army Air Corps from 1943 to 1945 receiving the Air Medal with two oak leaf clusters.

The New York Curb Exchange Employees' Quarter Century Club, organized in 1946, is composed of employees who have been on the staff of the exchange for 25 years or longer.

Continued from page 6

Majority of Contributors to Forum Favor Carothers' Stand on UMT

turned to me when we were flying between Myitkyina and Bhamo and said: "Do you know Major the way to end this Burma war quickly would be to take out all British and Indian troops and put in our American boys; it is only they who know how to use the equipment."

In view of the fact that a whole British division had had to be flown in to remove the deadlock on Joe Stilwell's front, this remark appeared to me as one of the choicest I had heard.

The history of the jungle war in Malaya has also shown how little can be achieved by equipment alone against a determined enemy.

One point I agree with your Dean is that six months' training is quite insufficient to make a trained soldier. But unfortunately "full employment" is a bad recruiting sergeant—as any Dean of Economics should know. The only way of ensuring an adequate flow of volunteers would be to enhance the prestige of army service, and in this respect the American forces seem to be modeled much more on the lines of Continental Militarism than the British Army which has always attempted to build up the *"esprit de corps"* of the regiments individually.

One thing which surprised me when serving with U. S. Forces was the way the army held itself up to the most vulgar ridicule by putting up such posters as "Don't be caught with your pants down!".

FLOYD P. BAILEY
President, Santa Rosa Junior College, Santa Rosa, Calif.

I read Dr. Carothers' article and I am writing to let you know that I agree with it 100%. I think his arguments are very logical and should be easily understood by anyone.

C. E. BREHM
President, The University of Tennessee, Knoxville, Tenn.

Relative to Dr. Carothers' article on "UMT—Why It Is a Mistake," I have done some writing on this subject myself. There is attached, copy of letter reflecting my thinking, which I wrote Mr. Russell Thackrey, Executive Secretary of The Land-Grant College Association.*

It does not seem to us here that there is any urgent need for Universal Military Training at this particular time. Furthermore, from the long time point of view, it would bring to this country the same implications that similar training programs in other nations, who are now on the dole of the United States, have had on those nations.

*Editor's Note — Extracts from Dr. Brehm's letter are given herewith:

"I am for deferring action on compulsory Universal Military Training at this time, for the following reasons:

"(1) I do not think the principle of compulsory Universal Military Service (which is compulsory servitude) except in times of war is compatible with our freedoms as conceived by the founding fathers of this country.

"(2) From a long time point of view, compulsory Universal Military Training can develop the same philosophies here in the United States, which the United States has recently been combating in other countries. Nations in the past, in preserving their liberties from a foreign power, have lost their liberties to their own government. Who can tell what can happen 25 years from now, after 'the camel has its nose in the door'? England is a tragic illustration of what can happen.

"(3) The Selective Service at the present time is meeting the demands from the Armed Services for manpower.

"(4) I do not think at this time the additional cost for Universal Military Training is warranted.

"(5) I think we should defer action on Universal Military Training until the defense and war clouds have clarified somewhat, without all the defense talk and propaganda, and the tension and hysteria that goes with it, in order that the public may consider all its implications, objectively and more deliberately."

REVEREND
LEONARD V. BUSCHMAN, D.D.
Summit, N. J.

I am in hearty agreement with the position taken by Dr. Carothers. Practically every major denomination has taken action against the proposed legislation which, as Dr. Carothers says, is a potential liability rather than an asset.

I am glad that the bill was rejected by the House, and sent back to Committee. I hope that it will die there, but the proponents are crafty and persistent, so we must keep up the opposition.

W. C. LAYCOCK
President,
Fort Wayne National Bank,
Fort Wayne, Ind.

I have read Dr. Neil Carothers' article on Universal Military Training with interest, and in various respects I am convinced that his views are correct. In my humble opinion, I have always believed that much of our success in the past can be attributed to mastering the particular situation as it confronts us at the time. It is obvious that ability to produce and to make scientific use of our natural resources has been and will be important in protecting our country against aggression. As Dr. Carothers has emphasized, the idea of training a large military force will not only impose a terrific financial burden, but it will to some degree, have the effect of establishing in the minds of those who are subjected to that training ideas of solution. Whether they be of an aggressive or defensive nature, they are very likely to be inadequate and inapplicable to the particular situation of the future, as and when it arises.

I will not attempt to express any further thoughts in this letter, but I am taking the liberty of enclosing an article which contains the comments of one of the staff members of our local Chamber of Commerce. Some of the thoughts and expressions contained in the article to which I refer are undoubtedly those of others, but I am sure that the member of the staff that I mention has also included some of her own thinking, which is usually along very sound lines.*

**The article referred to by Mr. Laycock, dated Feb. 28, last, is reproduced herewith.—Editor.*

An Open Letter to All Congressmen:

"Because we share your deep and worried concern about what to do on the proposed Universal Military Training Bill, we want also to share our convictions about adequate preparedness in a world fraught with explosive potentials.

"Deep in most of our hearts is the very sickening suspicion that this bill is not designed for military preparedness. We are fearful of its deception. For the record has certainly been one of deception, whether or not deception was intended. First, we were told that the ECA program would save us from the burden of rearmament. . . . Then that we had to rearm lest the ECA money be thrown away. . . . Then that we had to form an alliance to protect our own rearmament. . . . Then that we had to rearm our new allies. . . . And now ? ? ?

"Only the compounded errors of our foreign policy make it possible for anyone to present 'permanent preparedness' as either logical or necessary in America. Unless something is done to change that policy, we are through. Should we now be asked to give more money, more manpower, and more authority to the same people who have led us into the present untenable position? Should we make it easier for them to perpetuate their blunders? Extend this collective diplomatic stupidity with an even louder and more confident voice, knowing they can **order** a nation of 'trained youth' to battlefronts to back up their erroneous decisions at any time and any place they wish to send them? Is that adequate preparedness or is it mass suicide?

"Preparedness today is the crucial issue. How can we steer our way safely through a warlike world? This question poses two dangers. The first is the old, familiar apathy, which mistake was made immediately after World War II. The other, and even more dangerous, is hysteria which would turn America into an armed camp. To let fear panic us into overburdening our economy (which is the **real** source of our strength) is the worst possible way to prepare for war. Certainly if we try to carry a war burden **now** and for years to come, then if war should actually come on some distant tomorrow we will be **less** strong because we will have dissipated our strength. Our enemies seem to know this better than we.

"Why have we won two World Wars? Because one Yank could lick six other soldiers? Because we had more Yanks? Because our generals were superior? Whatever the legend, we won because in the final crisis, when both our allies and our enemies were exhausted, the **reserve strength of the American industrial economy provided the weapon that could not be matched.** We had a sound currency **then** that could take a tremendous inflation. . . . We had a light tax burden **then** which could be multiplied many times without overstrain. . . . We had an untrammelled production machine **then** that being free to grow had grown rich in untapped resources. . . . Paradoxically, we won because we were least prepared to win. **Could we win today?**

"All will agree that our youth should not be sent to fight anywhere in the world without adequate training. But will the bill provide that? Is it expected in six months' time that our young boys will learn something besides map reading, how to move in groups, first aid, care of weapons, signal instructions? These 'basic' subjects could very easily be integrated as a required part of our high school or college curricula—no salaries, no uniforms, no militarism—same results. Don't you believe that some such plan deserves a trial before we commit ourselves beyond the point of no return? Do you not question the educational aspects of this program when there is no indication of what is meant by 'education'?

"Many Army men themselves claim that the use of raw recruits is due primarily to the Army's own policy of establishing 'replacement pools' of young men who do not fit into the 'Table of Operations' scheme of things—if that was true in Normandy on 'D' Day when trained men were available, do you believe UMT will change this practice?

"Do you believe the estimates of actual savings in the defense program with UMT versus the draft? Will you take a second look? The draft is, legally at least, a temporary thing **under the control of Congress. UMT would be permanent.** Each and every year, in peace or war, staggering amounts will be needed to finance more and more regimentation and militarism. It is computed that under the proposed UMT Bill the total number of men in training and in reserve forces by 1959 will be 11,900,000! Do you think it is possible to **save** money on this kind of a project? Above all, we must remember, too, that the men we put under arms are **men that cannot work.** The men we put to making arms to supplement this program are **men who are making NOT wealth but goods to waste.** And much of the arms they make for war now will be useless in a war that comes much later. Can you estimate the total cost of **that** to our economy? ? ? What about veteran benefits? Are we to deny these to the UMT boys? If not, what will be the cost of the insurance programs, the medical care and other benefits for at least 50% of our male population within a decade? Is that savings? Is it preparedness? Or is it socialism?

"In addition to the fact that it is completely foreign to Americanism, there can be no question that we are moving away from a large standing army, just as surely as we have moved away from the sword and the cavalry. The new weapons and new elements of warfare are daily taking us farther and farther away from the necessity of a large standing army. Have you asked our leading research scientists if UMT will help in preparedness or defense, when six months of military training today will be antiquated in another six months? ? ?

"What about the moral aspects of this whole idea? Do you believe that having the youth of America in camps around the country with nothing to do but take a few hours of training every day is a wholesome thing? The very fact that they are at the most impressionable of all ages makes it even more dangerous. . . . Or do you think that short of actual war, Americans can be **legislated** into taking military training seriously?

"Has it occurred to you that this proposed bill might be part of an overall scheme for complete capitulation of what is left of our free economy? Certainly it would establish the framework for complete regimentation, control and power. Once that is done, all that would be needed are a few **wrong** people in a few **right** places to decide just what these young people will be taught!!! Congress and everyone else would be powerless to stop it then. . . . Is it too far-fetched to see another Alger Hiss in charge of this program, in view of what has already happened? ? What then? ?

"UMT has **always** led to war, since the beginning of time. Why would this be an exception? Did years of military training win for Mussolini or for Hitler? ? And just how do you hope to convince the world that we are **not** warmongers when all of our actions belie our words? Even those skilled in anti-American propaganda have hit the jackpot on this one—they have instructed those who write the Communist diatribe to oppose UMT so it will pass! Did you know that? ? ?

"Militarism is the very antithesis of Americanism. It is a basic part of the philosophy of dictators since time immemorial. As a nation, should we revert to the things we **know** have **never** worked, and surrender another of the principles on which our country was founded? Aren't we catapulting into disaster on enough fronts now? Nothing in the current situation can possibly alter the basic moral, economic and American principles involved. May you, as spokesman for the American people, search your own soul for the answer. . . . And may God give you HIS guidance in reaching a sound decision."

HON. RICHARD B. RUSSELL
U. S. Senator from Georgia

In the hope that it will explain my reasons for supporting Universal Military Training, I am enclosing a copy of my remarks at the time I introduced legislation to implement UMT.

Editor's Note: In his address to the Senate on Jan. 16, 1952, Senator Russell said in part as follows:

"These, then, Mr. President, are some of the reasons why I and my fellow members of the Senate Armed Services Committee are today sponsoring this proposed legislation to implement the universal military training program. Our reasons for supporting universal military training can be summed up very simply, as follows:

"First, it is fair. It distributes equally the burdens of defending our country, and avoids the grossly unfair situation in which one man may have to fight two or even three wars, while another never hears the sound of a gun fired in anger.

"Second, it holds out the one and only hope of assuring the nation an adequate defense without courting bankruptcy. It is true that an adequate defense will not be found on the bargain counter under any circumstances, but neither will it be found in a bankruptcy court.

"Third, in the complex world of the atomic age it is the surest and best hope of building strength while continuing the traditional American system of subordinating our Military Establishment to civilian control.

"Fourth, it offers a strong yet flexible method of raising military manpower which can be adjusted to the changing needs of the uncertain world situation.

"Fifth, it will establish a regular pattern which will give the youth of our nation some opportunity to plan their education and careers with some degree of certainty as to what part of their lives must be taken out for military service. At present, this planning can be only a guessing game.

"Sixth, in the event of all-out war it will avoid the oft-repeated tragedy of having American boys thrown into the inferno of battle without basic knowledge of how to use their weapons. In both of the last World Wars dire circumstances at times required the employment in battle of men who scarcely knew how to handle a rifle.

"I recall after the Battle of the Bulge that Senators read here on the floor letters about men who had had only 10 or 12 weeks of training being thrown into the effort to stop the German break through our lines. For my part, Mr. President, I do not want to have the blood of a single American boy on my hands because my vote or my effort had denied him an opportunity at least for basic training.

"Finally, Mr. President, our adoption of universal military training will serve notice on the mad masters of communism that the United States is coldly determined to see this struggle through to the bitter end. It will be our pledge to freedom; the symbol of our determination to maintain ourselves against the forces of

tyranny and aggression; it will be proof of our will not to falter—never to surrender."

RALPH W. McDONALD
President,
Bowling Green State University, Bowling Green, Ohio

I agree with Dr. Carothers that the adoption at this time of a permanent peacetime system of universal military training would be a serious mistake.

HOMER P. RAINEY
President, Stephens College, Columbia, Missouri

I enjoyed reading Dr. Carothers' article very much and certainly agree with his point of view.

HON. CHARLES R. HOWELL
U. S. Congressman from N. J.

Apropos of Dr. Carothers' article, I feel UMT is necessary and am sorry the opponents were successful in sending it back to Committee — which probably means there is little chance for action this year.

R. D. SLOAN
Dean, College of Engineering, Washington State Institute of Technology, Pullman, Wash.

I think Dr. Carothers' article "UMT—Why It is a Mistake" is one of the best discussions of this important problem that I have seen.

C. J. CHANDLER
President, First National Bank in Wichita, Kansas

Neil Carothers' article on UMT is quite interesting, and I agree with him in a number of the conclusions he reaches.

FRANCIS J. O'BRIEN
Vice-President,
The Franklin Life Insurance Co., Springfield, Ill.

Dr. Carothers' reasoning in connection with UMT sounds very logical to me. I certainly do not feel (and I am certain that many other Americans do not feel) that we should develop into a military state. And we all know that the military when given the necessary power will tend to dominate. The scandals in connection with expenditures which are beginning to crop up here and there; the gross extravagance and waste; the rigid military mind, are all things we civilians would like to keep at a minimum.

I liked the article very much.

THOMAS S. NICHOLS
President,
Mathieson Chemical Corporation

The reasons for Universal Military Training are obvious. While some of the reasons against UMT are certainly obvious, there are many more reasons with which I gather you are completely familiar, why UMT should be vigorously opposed. Advocates of UMT have shown, in my opinion, little foresight. I agree with Dr. Carothers.

WALTER R. REITZ
Vice-President, Quaker State Oil Refining Corp., Oil City, Pa.

I read with much interest the article by Neil Carothers on the subject of Universal Military Training published in your issue of Feb. 2, 1952. The article is excellent and I think that your publication has done a service to the country in circulating it.

J. E. WEAVER
President, Pacific Union College, Angwin, Calif.

I believe that Dr. Carothers' article is the best discussion I have ever read. It is the sanest and best presented article, and I am thoroughly in agreement with what he says.

I believe that the adoption of UMT by the United States would be one of the greatest mistakes this country has ever made.

GROVER KEYTON
Union Bank & Trust Co., Montgomery, Ala.

I thoroughly agree with Dr. Carothers that UMT would be a mistake unless we want to make of our country a militaristic one, or an armed camp. We have won our previous wars, with the exception of the present one, without UMT, and in my opinion, if we would give any enemy we might have, all we have, as quickly as we could, we can continue to win them. It seems to me, from my limited viewpoint, that we are fighting the present war with one hand and holding back with the other. I also feel that it would be a mistake to break into the lives of our young men by UMT, which would take them out of civilian life into something absolutely foreign to them—learning to fight.

In case of a show-down and in defense of our country, I think we could all do this pretty well, and would not hesitate to do so, even including myself, as old as I am—65.

I have right now, one of my neighbors, a young man, who can not get a job because he is in the Reserves, and does not know when he will be called. No one wants to employ him on this account, and he is at a loss to know what to do.

J. D. FARRINGTON
President,
Rock Island Lines, Chicago, Ill.

I do not agree with Dr. Carothers.

RALPH C. PRICE
Greensboro, N. C.

In connection with Dr. Carothers' article on UMT, I would like to contribute some thoughts on a related phase of the subject.

I have thought that the problems of war and peace could be handled if the world, or the present organization which apparently represents the world, the United Nations, could be set up as seven Commonwealths of Nations revolving around the seven continents. Most important would be the inclusion of all of Russia in the continent of Europe. All the islands of the Pacific would be included with Australia in that Commonwealth of Nations and all the islands of the Arctic, Atlantic, and Indian Oceans and Mediterranean Sea would be included with Antarctica in that Commonwealth of Nations.

Practically all of the islands would go in either the Australian or Antarctican Commonwealths, the determining factor being whether or not the island had territorial waters of its own, exclusive from the mainland of the other five continents. There would come into being Commonwealth territorial waters in addition to national territorial waters. It seems to me it would be safe to say on this basis that the waters of the Straits of Gibraltar and the waters of the Suez Canal and Red Sea and Gulf of Aden and the Arabian Sea would be considered territorial waters of the Antarctican Commonwealth of Nations. In this way the United Kingdom, which would be a nation of the Antarctican Commonwealth, would have its interest preserved. The Panama Canal would revert back to the Republic of Panama, but since Panama would be a nation of the North American Commonwealth, the interest of the United States would be protected. Alaska would be a nation of the North American Commonwealth and Hawaii would be a nation of the Australian Commonwealth. The interest of these two territories would be better served than at present because they would then have self-rule.

The trouble in Tunisia right now represents one of the great problems in the world today and that is the lack of self-rule by a great many nations. In fact, the United Nations document on human rights states that every individual is entitled to a nationality. The matter of self-rule by the various continental areas is also important. Why should the United States and England try to regulate matters outside of their respective spheres? If these seven Commonwealths were set up, it would not be necessary for one nation to hold dominion over another nation in another area because each Commonwealth of Nations could handle its own affairs. In this way, the United States could have kept out of the Korean War. The Korean matter would have been handled by the Asiatic Commonwealth of Nations. Outside interference by the other Commonwealths would be made by the other members a Commonwealth could not handle its own affairs.

You might say on this basis that the European Commonwealth of Nations could not handle Russia. The only way to handle any rebellious nation against the established order, or proposed order, is to disarm that nation. Law and order could not be established within any given nation unless the government of that nation had the power to disarm the individual citizens of the nation. The same is true of any world order of nations. This might lead to war, but it would be a war with a worthy objective and one of permanent effect, and that is of disarming an unmanageable nation. It would at least start off by being a non-global war in that the first effort woud be made by the other members of a Commonwealth to disarm the rebellious nation. If they needed help, the other Commonwealths could be called in as needed, even though it took all six of the remaining Commonwealths to accomplish the purpose. It would avoid the futility of past wars which seem to have had no worthy objective. It would be a war directly aimed at peace beyond any shadow of a doubt.

WILLIAM A. ROBERTSON
East Orange, N. J.

Professor Carothers has done us an immense service, and has placed us all in his debt by his crushing declaration against the folly of any plan for Universal Military Training. With diffidence, I venture to add the following considerations:

(1) Military training inevitably lends itself to habits of life which are arbitrary and thoroughly unsuitable for the citizen of a republic. The habit of expecting implicit obedience to orders tends seriously to disqualify one for usefulness in civilian life, even though some few military men manage to escape its bad influence. But the danger is an ever-present one.

(2) Conversely, the habit of rendering unquestioning obedience to every order issued is equally pernicious to those who must exercise their rights and bear responsibilities under a constitutional government. Many vicious practices by government officers have been frustrated because some one had the nerve to refuse to obey. Opposition is the life of free institutions.

(3) Training in the art of how to destroy human life is the last thing in the world that should be impressed upon an American lad. It is destructive of those fine qualities for reverence and high aim in life without which men rapidly settle down to become coarse and brutal, with utter disregard for the sacredness of manhood and decency.

(4) UMT would add hugely to the cost of government, just when it has become indispensable to reduce it effectively. Taxation is swallowing up so much of production that the worker loses the results of his labors: witness the huge tax bills paid by our corporations.

(5) Few influences are more unsettling to a youth than a taste for military life, with its habits that lead to drunkenness and distaste for hard and steady work.

ROSCOE GIFFIN
Professor of Sociology, Berea College, Berea, Ky.

The article by Dr. Carothers contains an excellent analysis of the economics of manpower in relation to UMT. He has pointed out accurately the weaknesses of the arguments on both sides of this issue.

It seems to me that the emphasis he has placed on the question of equipment and technology is particularly important. I certainly would agree that modern warfare depends on these matters rather than military training. If you have not done so already, I hope you will make this article available to our Congressmen, for the issue may possibly arise again before this session of Congress.

My own personal objections to what Dr. Carothers has to say on this subject come from the fact that he is placing emphasis primarily on the preparation for war. I have no objections certainly to expansion of technology, but I think that we have got to find a way in which it can be turned primarily in the direction of human welfare and betterment rather than towards destruction. To this end, it seems to me what is called for and what is not now being done in adequate measure is to focus our research and policy efforts on the ways whereby we can reduce the tensions among nations which lead to war. For every hour of labor, for every dollar spent on this problem, I suspect there are a million hours and a million dollars being spent in the development of the instruments of warfare. I see no reason why we should expect peace when most of our efforts are directed toward preparing for war.

HON. THOMAS B. CURTIS
U. S. Congressman from Missouri

I am very much interested in Dr. Carothers' views, for it is apparent that he has given the matter a great deal of careful thought and has analyzed his case very effectively.

Thinking that you might be interested in it, I am enclosing a copy of a speech which I made on the floor of the House of Representatives on this subject.*

**Text of Congressman Curtis' address of Feb. 29 concerning UMT is reproduced herewith.—Editor.*

Mr. Chairman, I do not know whether I can contribute anything to the discussion of H. R. 5904 in 10 minutes, or not. So much has been said, and so eloquently on both sides, that I would be presumptuous to restate any arguments already advanced. I became convinced, if I had not already been convinced, of two things, one thing from each side of the debate.

First, that universal military training is contrary to the ideals upon which this country was founded and is dangerous to the national character of future America.

Second, that it is necessary for this Republic to provide a corps of trained reserves if it is to proceed without unbearable expense and yet adequately provide for the defense of the Republic.

Now, I am basically opposed to H. R. 5904 because I do not accept the philosophy of the Chairman of the Armed Services Committee, that there is no way to provide an adequately trained reserve without resorting to the plan advanced by H. R. 5904, or a system of universal military training.

Indeed, I think it is with poor grace that the chairman of this committee states that there is no middle ground inasmuch as he was the main promulgator of the scheme which turned over the constitutional obligation of the legislative branch of government to study and write the legislation on this subject to the executive branch of government.

Nor am I impressed with the study of the Executive Commission and the legislation written by this Executive Commission on the subject. I note, first, that the Commission called only the witnesses they desired to call. I note, second, that the testimony of these witnesses is confidential and so unavailable to this body for consideration in determining our course of action. Third, I note that, though the subject under consideration was training of boys around the age of 18, only two of all the witnesses appearing before the Commission were in the field of general education. None were in the field of trade school, industrial school, or any of the multitudinous fields of technical training which exist in our civilian society.

I can hardly regard the studies made either by the committee of the House or the Executive Commission either detailed or comprehensive. In fact, the studies are so completely inadequate that nowhere is there a study of or an attempt to even define what basic military training is.

It was basic military training, incidentally, that was supposed to be provided for by the Commission. I asked last April in my speeches on the floor of the House what basic military training is and got no answer. There still is no answer. Well, if the committee or the Commission either one had attacked fundamental definitions and given the slightest consideration to the subject about which they were supposed to be concerned, I am satisfied that the middle course would be as apparent to them as it was apparent to former Secretary of Defense Forrestal, Admiral Ben Moreell, other military leaders and, yes, even a Congressman like myself.

In attacking the problem of any training or educational program, the very first matter that must be considered is what do you want to train or educate for.

So, I ask the simple question which remains unstudied and unanswered, What are the skills needed in the corps of trained reserves as of 1952 and as best we can project the needs into the immediate future.

Right off the bat anyone who knows the simplest thing about modern warfare as it appeared in World War II and as it appears even more so in 1952, knows that the great bulk of the personnel in the Armed Forces must perform specialized and technical jobs which in essence are noncombat in nature. Estimates may vary, but middle estimate is that 90% of those in uniform in the last war were engaged in noncombat activities. Only 10% were combat troops.

If this figure is anywhere near correct, we are immediately presented with the fact that only a very small portion of our reserves need combat training. So a great deal of the oratory spent in the debate to the effect that we must prepare our youth to defend themselves is largely beside the point. Of course, we must prepare the 10% who might be engaged in combat activity—and I might say, only the military establishments are qualified to train them in combat activity—not, I might state, a civilian commission.

But, the big question, Who is to train the 90% in the technical skills? Look at the list in the Commission report of the skills

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Majority of Contributors to Forum Favor Carothers' Stand on UMT

that the Army, Navy and Air Force intend to train this 90% under the guise that it is military training. With only two possible exceptions, every one of these skills are civilian skills which our civilian enterprises have been training personnel in for years. The military are not educators or trainers. Our civilian enterprise includes our professional educators and trainers. Obviously, the best ones to train personnel in technical fields are those who are professionally trained and equipped to do it.

Let the military do a job analysis of the technical skills they need and the number of each they need in the event of mobilization. Civilian enterprise can provide it for them.

In essence, this whole matter comes down to whether you believe General Hershey's expression of the military establishments' philosophy when he says—page 195 of last year's hearings:

"I would say that in the Armed Forces and in the Navy, as I have observed them, no matter how much they talk about skill, what they want is a young, smart boy, because they can teach him much easier than they can unteach many who come in with a lot of so-called skills, but they generally have (a) a skill which is of doubtful value, unless modified, and, (b) a desire to participate only with the skill they have. If there is anything else to be done, they want somebody else to do it. I believe that you just about got to build armies and build navies and build air forces by taking people who have capacity and teaching them what you want them to know, because unfortunately, by and large, in our civilian life the type of man we need, and that is the fighter, is only there as an avocation and not as a vocation."

I do not believe it and when I consider that one of the sorriest jobs performed in World War II was by the Military Establishments in matching civilian skills with military skills, I am doubly unimpressed. The Seabees, incidentally, was the one branch that proceeded on the opposite of General Hershey's philosophy and what a performance they put on.

I have only been able to suggest a few of the basic matters which must be studied in order to provide the answer to what the Chairman presents as an insoluble dilemma. It is hardly insoluble. As I said in April, there is plenty of time to do the job if the Armed Services Committee really has a will to do it. Let us first get our reserve program set up. Then let us figure out how to keep it filled with trained personnel, utilizing the civilian institutions which are already available for this purpose.

I favor recommitting the bill; however, I believe that, under the circumstances of past performance, the matter should be referred to the Committee on Education and Labor instead of the Armed Services Committee. After all, we are talking about education and training, and 90% of this training, or at least an extremely high percentage of this training, is not military—it is civilian.

M. FOREST ASHBROOK
Executive Director, The Ministers and Missionaries Benefit Board of the American Baptist Convention, New York City

Dr. Carothers' article, "UMT—Why It Is a Mistake," seems to me the best thing I have read on the subject. A good deal of the discussion pro and con that has gone around the country has been on a somewhat emotional basis. It is a real contribution to have as careful a logical and factual approach as this article makes.

I wish I might have half a dozen copies of this article if they are available to pass on to others.

CRAWFORD H. ELLIS
President, Pan-American Life Insurance Co., New Orleans, La.

My views are entirely in accordance with those of Dr. Carothers. We have been getting along without UMT for nearly 200 years and I think we can continue to do so. Aside from this it creates another source of expense for the politicians to dispose of our money which is now being wasted in every direction. We cannot stand any more taxes and no one would have ever thought that we would have the outrageous taxes that we now have in peacetime.

HAROLD W. TRIBBLE
President, Wake Forest College, Wake Forest, N. C.

Relative to the article by Dr. Neil Carothers, I felt greatly relieved this week when Congress voted down the Vinson UMT Bill. I was in the House gallery while a good part of the debate was going on. Then when I returned home I read in the papers the report of the vote.

It is my conviction that this is not the time for Universal Military Training.

HOWARD B. BISHOP
President, Human Engineering Foundation, Summit, New Jersey

The article on Universal Military Training by Dr. Neil Carothers has been read with much interest and I agree with Dr. Carothers that the passage of the bills on this subject now before Congress would be a sad mistake.

HAROLD W. REED, TH. D.
President, Olivet Nazarene College, Kankakee, Illinois

I am greatly interested in this question of UMT and feel that it would be a sad mistake if our nation ever adopted this program.

JOHN L. KNIGHT
President, Baldwin-Wallace College, Berea, Ohio

Just a note on Dr. Carothers' article regarding UMT. It is well written, and I agree with it in principle. UMT will certainly not promote the nation's security in the long run, nor can its expense be justified. Basically, the adoption of UMT would place disproportionate power in the hands of the military, and would place a disproportionate emphasis on materialistic power. The future security of the nation depends neither solely nor basically on either.

RT. REV. MIDDLETON S. BARNWELL, D. D.
Bishop, Diocese of Georgia Protestant Episcopal Church, Savannah, Ga.

I am entirely in sympathy with Dr. Carothers' views regarding universal military training.

HON. GEORGE SMATHERS
U. S. Senator from Florida

Relative to Dr. Carothers' article on UMT, I am enclosing a copy of a letter I have written to my good friend Rev. John H. Haldeman, Pastor, Allapattah Baptist Church, Miami, Fla., which reflects my sentiments on this subject.

Editor's Note: In his letter to Rev. Haldeman, Senator Smathers stated as follows:

"Anyone who would care to look into the present program of military preparedness would be impressed by the unfair and un-American system of calling men into the service. The burden of the present conflict is falling once again on the same shoulders that carried the fight in World War II. The Armed Forces are regularly calling back for the second time thousands of young men who, have, since World War II established families, entered into business and upon jobs, and are busy paying for homes. This practice of breaking up the families of these men who have already served seems to me a much more undesirable practice as far as religion, morals, and home are concerned, than would be a program of taking young men 18 and 19 who have never served and training them for six months. UMT is the only program which will stop the tragic consequences now resulting, and eliminate the inequities and inequalities which now exist. It will be less disruptive of educational pursuits and home life than present draft and regular duty.

"The first President of the United States said that this country should depend for its defense upon a relatively small professional army and a large reserve of citizen soldiers, pointing out that a large professional army is both expensive and dangerous. The wisdom of that statement becomes more clear daily as we observe the tremendous appropriations now required to maintain our large standing army.

"Many of us see this issue as the choice between security through UMT or national bankruptcy. To keep a corporal on active duty for a year costs approximately $3,500. To keep that same corporal in a reserve status with an annual two weeks refresher course costs only $434. His original six months training is estimated to cost less than $1,000. UMT will give us security at a price we can pay."

IRWIN J. LUBBERS
President, Hope College, Holland, Michigan

I have been writing and speaking on this subject for some time in very much the same vein as Dr. Carothers. To repeat his arguments would not be of any value to you. Permit me to say that he has stated the facts in a very convincing manner and I am indebted to him and to you for giving me this additional ammunition.

JAMES H. HALSEY
President, University of Bridgeport, Bridgeport, Connecticut

I share Dr. Carothers' viewpoint that UMT is not the answer to our military problems. Dr. Carothers approached his objections in a different way than others I have heard to date, with his emphasis on the economic factor and, therefore, I was especially pleased to get this new viewpoint.

RT. REV. THOMAS CASADY, S.T.D.
Bishop, Diocese of Oklahoma, Oklahoma City, Oklahoma

I have read the article by Neil Carothers on UMT and passed it on to my associate who has read it.

The article contained a viewpoint with which I had been unfamiliar, so I am pleased to have seen it.

CARL F. REUSS
Executive Secretary, Board for Christian Social Action, American Lutheran Church

I read with great interest the article by Neil Carothers on Universal Military Training. It seems to me that Dr. Carothers has ably pointed out the many weaknesses in the proposal. It simply would not do what it is represented to do, and thus is in many ways, as the "Christian Century" called it, "a gigantic hoax."

I am glad to see a publication of your standing giving expression to these views on so important a problem.

STEPHEN B. SEVERSON
President, Republic Light, Heat & Power Co., Inc., Buffalo, N. Y.

Relative to Dr. Carothers' article, I agree that UMT would be a mistake as I would not like to see our country become too militaristic. I think there are other ways this could be done without the tremendous continuous expense.

HENRY R. SIMS
President, Winthrop College, Rock Hill, South Carolina

I do not agree with Dr. Carothers' conclusion, as I believe some form of universal military training is necessary for our self-defense, and is the democratic way of handling the induction of necessary young men into the armed forces.

A. T. KEENE
President, Indiana Technical College, Fort Wayne, Ind.

I was very pleased with Dr. Carothers' well-worded message that UMT would not fulfill its purpose of providing national security and would, in fact, endanger national security by diverting men and money which should go into essential manufacturing. The article appears to be non-technical, but economically and historically significant.

WALTER D. HEAD
President, Bergen Junior College, Teaneck, N. J.

I remember Dr. Carothers very well from his long period of service at Lehigh University and I have always had a very keen respect for him. My reaction to his article is excellent, particularly the last part. I feel that before we go into Universal Military Training we should have a much clearer explanation from the Armed Services as to what they propose to do with all these young men when they get them. As Dr. Carothers points out, what possible use is there for an army of four million men? We were very glad when the House of Representatives voted to send the Universal Military Training bill back to Committee and I have ventured to send Dr. Carothers' article to Mr. Frank Osmers, one of our local House members.

FRED T. MITCHELL
President, Mississippi State College, State College, Miss.

Unquestionably Dr. Carothers presents a point of view which cannot be overlooked. I am particularly interested in the suggestion he makes at the end of the article concerning the long-time measure for the Military Academy and Naval Academy programs.

RUFUS C. HARRIS
President, Tulane University New Orleans, La.

I have written and expressed my views many times similar to those of Dr. Carothers that UMT, if it is necessary, is a necessary evil, and I do not believe it is necessary.

Rev. CHARLES S. CASASSA, S.J.
President, Loyola University of Los Angeles, Calif.

I have read with interest Dr. Carothers' article on UMT. I think that he has hit at the key weakness of the proposed bill. He has shown, I think, that UMT is not necessary for the security of the country and that in fact it would weaken us seriously from an economical standpoint. I think that most people realize that six months' training is not adequate. If UMT were introduced, it would then become necessary to extend the period of training at greatly increased cost. If the period were extended, I do not see that it would be any improvement on the present Selective Service plan. In time of emergency, Selective Service seems to be adequate, and in time of peace UMT does not seem to be necessary.

MOTHER M. AGATHA
President, Xavier University of Louisiana, New Orleans, La.

I read Dr. Carothers' article on UMT with a great deal of interest. I agree heartily with the views expressed by Dr. Carothers.

RICHARD A. FROEHLINGER
President, The Arundel Corporation, Baltimore, Md.

I agree whole-heartedly with Dr. Carothers and am happy to say that our morning headlines say "House Shelves Universal Military Training Program."

HUGH MORROW
Chairman of the Board, Sloss-Sheffield Steel & Iron Co., Birmingham, Alabama

Dr. Carothers' contribution to this all important subject is the most sensible one that I have seen or heard. I am in complete agreement with his conclusions, and the unanswerable way in which he has reached them. His article deserves the widest circulation and I trust will receive it. The country at large needs to be told as he so ably tells it.

I wish you would be good enough to send to me 20 or 25 reprints for distribution among my Alabama acquaintances, together with a bill covering the costs of same.

H. C. MURPHY
President, Burlington Lines, Chicago, Ill.

Dr. Carothers has made a good case against the UMT and I share his apprehensions.

H. T. PRITCHARD
President, Indianapolis Power & Light Co.

My views on UMT are opposed to those of Dr. Carothers and practically identical with those of Mr. Robert Ruark as expressed in his syndicated column of March 3.

HON. PAUL F. SCHENCK
U. S. Congressman from Ohio

As you know, the universal military training bill was recommitted to the Armed Services Committee on March 4. Many of the arguments against it, presented by Dr. Carothers, were discussed on the Floor of the House. However, I think his treatment presents one of the most succinct and logical developments of the arguments against universal military training that I have seen.

EDWIN S. BURDELL
President, The Cooper Union for the Advancement of Science and Art

Dean Carothers' article on "UMT—Why It Is A Mistake" was of particular interest to me, even though I cannot subscribe to his conclusions.

I am enclosing a reprint of the introduction to my last annual report,* which sets forth my own

thinking on this problem at some length. You are at liberty to use any quotation from it in "The Commercial and Financial Chronicle."

Editor's Note: The following is an extract from Dr. Burdell's report which was for year ended June 30, 1951:

"Indications at this writing are that UMT's initial military training will last four to six months, which would not constitute a serious break in students' education. A plan apparently favored by all four service branches proposes six-months' training programs in camp or aboard ship, of which the first portion would be devoted to basic individual military training and the second portion to training in small units or in technical military specialties. This 'four-services plan,' which at this writing seems likely to be acceptable to Congress, then contemplates that the trainee would be fed into some reserve unit for service as distinct from training, becoming a member of the so-called 'ready-reserve' of his particular service branch for a three-year period. After completing his six-months' initial training, a man could meet this 'ready reserve' commitment by membership in the ROTC, in the National Guard, in a special training program, or by enrolling for education in medicine, dentistry, science, or engineering, which would qualify him in some important technical or professional specialty vital to a possible all-out war emergency. Following this, he would become a member of the 'stand-by reserve' unless he requested his continuance in the 'ready reserve' and ultimately he would become a 'retired reserve.' Membership in any one of these reserves would not involve active military service, except that the President could call up the 'ready reserve' and an act of Congress could call up the 'stand-by' and 'retired reserves.'

"The four-services plan described above provides the opportunity for professional students to complete their training. The student so qualified would be permitted to count his professional education as his three years of 'ready service.' Furthermore the four-services plan seems to me to be reasonable because the educational break would be for only six months."

WILLIAM B. RUGGLES

Editor, Editorial Page, "The Dallas Morning News"

I do not find myself entirely in agreement with Dr. Carothers, although I think in the main his premises are sound, especially as to the fact that wars will no longer be won by great armies on foot. Nevertheless wars are going to have to be fought by armies on foot and they are only successful when trained.

A very good case can be made out for the deficiencies of our armed forces in training troops, a record that would hardly recommend them for putting the UMT draftees in the best shape for war. For instance, I was a combat officer in World War I, but practically all my training for that job occurred between World War I and II. In World War II I spent most of my time in logistical service and I got all my training for that operation between World War II and retirement. And I know of a great many cases that could duplicate that. Nevertheless, I would have been very grateful in both instances for a lot more training than I had ever had in either when I was actually called upon to do the work. Like most any other American, I regretted very much the necessity to go into military training.

I feel a great deal of hardship is laid on a great many young men who have taken out the best part of their lives for hard and unwelcome service. But I do feel they are all the better off, in the event of war, for any training that they get.

Dr. Carothers wants to know for what a pool of reserves would be trained. (1) Certainly experience suggests that they would be trained at least in the rudiments of how to be soldiers. (2) I do think that UMT would save both lives and time in case of war, in spite of skepticism, but this presupposes good training program. (3) Certainly a system could be used to utilize our man power more efficiently. I don't think that his counter question is an adequate answer to the argument that we can divide the burden of war democratically. My own answer is that it looks as if the "needs must when the devil drives."

EVERETT M. CHANDLER

Dean of Students, California State Polytechnic College, San Luis Obispo, Calif.

I think Dr. Carothers' article is an excellent analysis of the UMT problem. Perhaps I feel this way because I have been expressing some of the ideas outlined by Dr. Carothers, but not nearly so forceably or well as they are stated in this article.

E. W. HOLLMANN

Assistant Treasurer, Outboard Marine & Manufacturing Co., Waukegan, Ill.

Dr. Carothers' article "UMT—Why It Is a Mistake" is very interesting and certainly seems to be the sensible approach to this great problem of the day.

It seems that the taxpayers will be called upon to spend additional billions of dollars each year if the UMT program is placed into effect, without obtaining the desired results. As a matter of fact, it appears that such action would play directly into the hands of the Communists in their desire to bankrupt this country, which is possibly the only way they can accomplish their aims.

HAROLD C. LETTS

Secretary for Social Action, The Board of Social Missions of The United Lutheran Church In America, Inc., New York City

I like Dr. Carothers' emphasis very much on the failure of UMT to provide for national security. It is an emphasis I tried to make in preparing the Statement adopted by our Board of Social Missions, a copy of which is enclosed.* I hope that you will continue to emphasize this issue particularly, stressing the fact that Universal Military Training cannot contribute to the security of our country.

* Editor's Note — Extracts from the Statement in question entitled "World Peace and Universal Military Training," dated Dec. 7, 1951, are reproduced herewith:

"(1) We believe that at the governmental level the best hope for peace lies in strengthening the United Nations as an instrument of collective security and of creative development in world health, agricultural and industrial life, and moral and political strength.

"(2) We recognize that in the present world situation the United States has decided to rearm in order that measures of collective security may be undertaken by the United Nations. Some form of draft appears to be necessary to achieve that end.

"(3) We are convinced that Universal Military Training is not the best way to advance the above policies.

"(a) The decision to raise and maintain standing military forces of from three-and-a-half to four million men will make it impossible to undertake UMT on anything more than a token basis.[1] All available young men will be required for the regular services. Each of the armed services is planning its UMT program on the basis of one instructor to every two trainees. Again an existing manpower shortage will be complicated by the initiation of this program. In a time of shortages of building materials and military material, UMT will create a further drain for its new facilities.

"(b) The training program outlined by the National Security Training Commission continually emphasizes that the six months of UMT can only serve as an orientation period for military life, inculcate the sense of responsible citizenship, and lay the 'elementary' basis for further detailed training in the reserves. In itself it will be ineffective as a strictly military measure and depends upon its completion in the reserves for its justification. [2] However, no effective reserve program is in existence, and Congress is still struggling with legislation in that regard. It is unwise to depend for long - range military power upon a program still to be formulated and enacted.

"(c) The history of permanent Universal Military Training in other countries (i.e. Germany in World Wars I and II, Japan and France in World War II) indicates that this system is no guarantee of military victory. The military asks for it because it will provide them with a sustained source of manpower without the necessity for justifying its need as in the case of the selective service feature of the present law which must be renewed by Congress. Admittedly, the fluctuations in public sentiment that forced the rapid demobilization of our armed forces after World War II made the formulation and execution of national policy very difficult. Nevertheless, we believe a more vital and dynamic national policy will be maintained if it has to be regularly referred to Congress for action. We prefer the calculated risk of a failure of public and congressional responsibility to the dangers of military bureaucracy.

"(d) Another doubt persists in our minds. Will the training given in UMT and the reserves provide us with militarily efficient forces? Some skills will be learned but will these skills be outmoded by technical developments? We note that some military experts disapprove of UMT because it will not produce a military 'force-in-being.'

"(4) Above all, as Christians, we are opposed to a permanent system of Universal Military Training because it tends to fasten upon the nation a militaristic spirit that would, in our judgment, undermine our democratic and moral standards."

1 See pp. 37 and 70 of Commission Report: *UMT Foundation of Enduring National Strength.*

2 See pp. 10 and 69 ibid.

HON. FRANKLIN D. ROOSEVELT, JR.

U. S. Congressman from New York

This matter [Universal Military Training] has been of grave concern to me and other freedom-loving people of our country especially in these critical times when the threat of totalitarian and fascist aggression hangs over our heads. But until the Kremlin will agree to the international control and inspection of armaments, as proposed by the United States in the United Nations, I see no choice for us but to continue our efforts to remain militarily and economically strong to meet any emergency which may arise to threaten the free world.

To maintain a large standing army at all times would of course impose far too great an economic burden on our country and upon the men who would be required to serve. I do believe, however, that this can be avoided to a large extent by the adoption of a training program to provide all young men with a certain amount of basic traning so they may be better prepared to serve in an emergency and upon short notice. It is my profound hope that we will never be required to call these men up, but, in the interest of our national security, we owe it to ourselves and other free nations of the world to be prepared and this will permit us to be prepared at a minimum annual cost.

The military traning bill, H. R. 5904, which was recently considered by the House of Representatives, contained a number of inequities. It was rejected by the House and sent back to the Armed Services Committee for further consideration and amendment. I have followed the hearings on this bill very closely and also the Senate Bill, S. 2441. I am also considering most carefully the views of the people of my district and the country as a whole. I hope that any program adopted by the Congress will contain adequate safeguards for prospective trainees under the program and continue to maintain the traditional separation between military and civilian authorities.

BEN MOREELL

Chairman of the Board, Jones & Laughlin Steel Corp., Pittsburgh, Pa.

I read Dr. Carothers' article with much interest. I am in general agreement with his arguments but I am afraid that Dr. Carothers may be too dogmatic when he gets into areas in which he probably does not have great experience. I refer to such statements as the following on page 6: "In this connection it would save vast sums if procurement of all military supplies should be centralized in one body, under civilian direction."

Ben Moreell

That is a thesis which has been discredited by our experience in World War II. The object of military procurement is not to "save vast sums." It is to get the most efficient article for the intended use at the time it is needed and at the lowest practicable price. You will note that I have listed "price" last in order of importance. This is because I am firmly convinced that strained efforts to "save money" by mass procurement of standardized equipment are frequently counterbalanced by the loss of lives and limbs on the battle field. All other things being equal, or approximately so, the people who know how and when they are going to use the implements of war should be responsible for procuring them.

Perhaps I should explain that the foregoing statement is made from the background of an experience of 30 years in the United States Navy covering the period of two world wars. Eight of those years were spent as Chief of the Bureau of Yards and Docks and Chief of Civil Engineers and one year as Chief of Materiel.

If you will read my article on technical and scientific personnel in the "Saturday Evening Post" of Sept. 15, 1951, entitled "Let's Make the Draft Make Sense," you will see the statement that I have never been a "drumbeater" for UMT. My primary objection to it is that it is coercive and, by and large, conscripted soldiers and sailors do not make the best fighting men, although there are some outstanding exceptions. My own belief is that the same individual who volunteers for military service will make a far better soldier or sailor than if he were conscripted.

I have enough faith in America and Americans to believe that, given fair and equitable treatment, enough would volunteer to meet the needs of any real emergency which threatens the safety of our country.

I am in accord with Dr. Carothers' views with respect to the inadequacy of UMT as a source of trained military personnel and the dangers of a growing financial burden. There is, also, the great danger that UMT will become involved in political patronage and favor.

A. G. BREIDENSTINE

Dean, Franklin and Marshall College, Lancaster, Pa.

The article on UMT by Dr. Neil Carothers is most excellent. I am having the article routed so that everybody on our staff may read it.

STEWART ALSOP

Washington, D. C.

Although I do not entirely agree with Dr. Carothers, I found what he had to say interesting.

Rev. DAVID K. BARNWELL, D.D.

The First Baptist Church, Summit, New Jersey

The article "UMT—Why It Is a Mistake" by Neil Carothers seems to me a most excellent review of the issue and I am in full agreement with the side he takes. I like his emphasis, which is not a sentimental one.

GEORGE J. SOKEL

President, The Home National Bank and Trust Company of Meriden, Conn.

After reading the article on UMT by Dr. Neil Carothers, I couldn't help but feel that there is a lot of merit in the position he takes. In fact, I am rather convinced that he is right and, therefore, that UMT bills now being discussed in our Congress should not be passed. Further than that I think that more study, thought and consideration should be given the subject before attempting to pass any legislation thereon.

W. MAXEY JARMAN

Chairman of the Corporation, General Shoe Corporation, Nashville, Tennessee

W. M. Jarman

I was very much interested in the article on Universal Military Training by Dr. Neil Carothers. I agree wholeheartedly with the conclusions that he comes to. I feel sure that UMT would be a very unfortunate step for our country to take.

J. A. MECKSTROTH

Editor, "Ohio State Journal," Columbus, Ohio

The best analysis and presentation of the UMT issue that came to my attention were those of Neil Carothers.

The "Ohio State Journal" did what it could to help defeat UMT, and our Congressman, John M. Vorys, made one of the principal speeches against it on the floor.

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Federal Legislation and The Security Market

ruling requires a payment of 75% of the price of a security listed on a national securities exchange. This requirement is discriminatingly severe when compared with the credit terms imposed by the Board on the purchase of other forms of property.

I cannot review the impact of Federal legislation on the Exchange market without emphasizing vigorously the necessity of shortening the holding period for capital gains which the Government now prescribes. The present holding period—six months—cannot be ignored in any constructive discussion of the vital importance of liquidity to a securities market. The law presently penalizes the exercise of normal judgment, and makes time—rather than value—the main basis for making investment decisions. A three months' holding period would permit capital more freedom, a freedom which capital must have in a free enterprise system if it is to achieve maximum productivity.

Opposition to SEC Taxes

It is reassuring to the securities industry to know that this Sub-Committee and other members of Congress share its concern over the proposal by a government agency which is not in accordance with one of the fundamental principles of our Constitutional form of government, that the Congress—and the Congress alone—has the power to tax.

My reference is, of course, to the proposal by the Securities and Exchange Commission to levy a compulsory registration fee on brokers and dealers in securities. As you know, the Securities Exchange Act of 1934 requires brokers and dealers to register "in the national public interest"—not in their own interest. The obvious effect of the SEC proposal would be to compel brokers and dealers to pay a fee—and a substantial one—which is not measured by a benefit received.

With your indulgence, I would now like to tell you briefly why the New York Stock Exchange, in cooperation with industry generally, is presently engaged in a long-range educational program to encourage more and more Americans who are equipped to do so to share in the ownership of our leading business enterprises.

We are convinced that a nation of small share owners is the surest way to strengthen and perpetuate our capitalistic business system, the strongest antidote to the doctrines of Communism and Socialism. When people have a direct stake in our industry they will fight to preserve the system that makes such ownership possible. And we are convinced that, as knowledge of the benefits of capitalism spreads among all the people, that knowledge will have a salutary effect on government decisions affecting our business system.

The New York Stock Exchange can best serve the best interests of the nation and its citizens if it is permitted to offer investors the broadest possible market, unhampered by needlessly restrictive regulations.

I believe in America. I believe in her business enterprises. I believe that sound investment in sound common stocks in the hope of income and eventual appreciation as the best-managed enterprises grow with the country should be fostered and encouraged.

Before discussing the changes in the Securities Acts which relate directly to Exchange markets, there are two other matters I wish to mention briefly. While our primary interest is the market on the New York Stock Exchange, we have a real interest in both of the Securities Acts administered by the Securities and Exchange Commission in so far as they affect financing of American and foreign industry because both Acts, directly or indirectly, affect our Exchange markets.

Need for More Investment Capital

First, to meet the demands of our expanding economy and to provide jobs, American industry must have access to new and more capital. Based on the average of the past few years, it has been estimated that the available labor force will increase between 500,000 and 700,000 persons annually and, for each person employed, an average capital investment of $11,000 — for plant, equipment, tools and machinery—is required. Everything that can be done should be done to facilitate the flow to industry of this essential capital. We believe amendment of the Securities Act of 1933 to permit the making of written offers of a security by means of a simple summary prospectus would be definitely helpful. The use of this prospectus should be permitted in the offering of securities both before and after the registration statement becomes effective, although no sale, as distinguished from an offer, should be permitted until the registration statement is effective.

We have met frequently with representatives of the Investment Bankers Association of America and the National Association of Securities Dealers, Inc., the two organizations which are concerned principally with the underwrting and primary distribution of securities. Together with their representatives we have had several discussions with the staff of the Securities and Exchange Commission, and have joined with the IBA and the NASD in recommending to the Commission amendments to Section 5 of the 1933 Act. We understand that when representatives of the IBA and the NASD appear before you they will discuss these matters at length.

Second, an important policy of the United States is to encourage private investment in overseas areas by citizens of the United States. The Point IV Program and the guarantee provisions of the Economic Cooperation Act are examples of the importance which Congress and the Administration attach to this policy. Discouragingly, however, very little in the way of action or serious research has been started to implement the policy.

The present, in our best judgment, is an appropriate time for the Congress, in conjunction with the Securities and Exchange Commission and the securities industry, to make a thorough and objective search into the factors which would encourage foreign concerns to obtain funds in the American capital markets. Such study might well disclose methods to facilitate private overseas investment through medium of the capital markets, without abandoning the safeguards of essential disclosure in the interests of the investor.

One possible solution might be to enter into "securities treaties" with selected friendly countries to exempt securities of their industries from our Securities Acts, provided such securities are registered under the securities laws of their own country and that those laws reasonably conform to ours.

Let us now turn to our specific proposals for amendments to the Securities Acts. These fall into these general categories:

(I) Those affecting the registration of securities and the prospectus requirements of the 1933 Act.

(II) Those directly affecting the operation of our Exchange and member firms.

(III) Technical Amendments.

I.

Proposed Amendments Affecting the Registration of Securities and the Prospectus Requirements of the 1933 Act

(1) **The Securities Act of 1933 should be amended to exempt from registration under the Securities Act of 1933 all securities which have been registered under the Securities Exchange Act of 1934 and admitted to dealings for more than three years on a registered national securities exchange and exempt additional issues of such securities.**

This proposal would exempt from the registration requirements of the Securities Act of 1933, securities registered under the Securities Exchange Act of 1934, and admitted to dealings on a registered national securities exchange for more than three years, and would permit the issuer to offer additional amounts of such securities without registration under the Securities Act of 1933.

One of the stated purposes of the 1933 Act is to provide full and fair disclosure of the character of the securities sold through interstate commerce and through the mails. When this Act was passed there was no Federal law compelling the disclosure of essential facts concerning securities traded on our national securities exchanges. The question of disclosure was left to the several exchanges. While the New York Stock Exchange had for many years prior to the passage of the Securities Act of 1933, been a leader in requiring companies whose securities were listed on the Exchange to make public more and more information about the companies and their operations, the requirements of some of the other exchanges were much less exacting.

Since the passage of the Securities Exchange Act of 1934, a security cannot be listed on a national securities exchange unless the security is registered with the Securities and Exchange Commission under the 1934 Act. Section 12(b)(1) of the Act requires the public filing of the following information by the issuer of the securities:

(A) The organization, financial structure and nature of the business;

(B) the terms, position, rights, and privileges of the different classes of securities outstanding;

(C) the terms on which their securities are to be, and during the preceding three years have been, offered to the public or otherwise;

(D) the directors, officers, and underwriters, and each security holder of record holding more than 10 per centum of any class of any equity security of the issuer (other than an exempted security), their remuneration and their interests in the securities of, and their material contracts with, the issuer and any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the issuer;

(E) remuneration to others than directors and officers exceeding $20,000 per annum;

(F) bonus and profit-sharing arrangements;

(G) management and service contracts;

(H) options existing or to be created in respect of their securities;

(I) balance sheets for not more than the three preceding fiscal years, certified if required by the rules and regulations of the Commission by independent public accountants;

(J) profit and loss statements for not more than the three preceding fiscal years, certified if required by the rules and regulations of the Commission by independent public accountants; and

(K) any further financial statements which the Commission may deem necessary or appropriate for the protection of investors.

Section 12(b) (2) of the 1934 Act requires the filing of "such copies of articles of incorporation, by-laws, trust indentures, or corresponding documents by whatever name known, underwriting arrangements, and other similar documents of, and voting trust agreements with respect to, the issuer and any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the issuer as the Commission may require as necessary or appropriate for the proper protection of investors and to insure fair dealing in the security."

Section 13 of the 1934 Act, and the rules and regulations of the Commission issued thereunder, require companies having securities listed on the Exchange to file annual and interim financial reports and other interim reports necessary to keep the information contained in the registration statement up to date. The purpose of the disclosure requirements of the 1933 Act is to make available information from which a prospective investor can reach an intelligent decision as to whether or not to purchase the security at the price at which it is offered. Prices of securities traded on an exchange are widely publicized and reflect the opinion of buyers and sellers throughout the country. It seems to us that prices so established is an auction market on the basis of information filed and kept current under the 1934 Act are far more helpful to the public investor than is his own opinion of value based on his analysis of the information contained in a 1933 Act prospectus. Full information concerning the additional issue will be filed with the Securities and Exchange Commission in the application for registration of these shares under the 1934 Act and this information is available to the public. The present costly—both to the issuer and the Government—duplication of registration on additional issues of listed securities is unnecessary. The penalties of Sections 12(2) and 17 of the Securities Act will be applicable to any sales literature used in connection with the distribution of the additional shares.

This proposed amendment would, we believe, greatly facilitate the raising of capital by established companies by reducing costly delays and duplication, and would not lessen essential protection to the public.

(2) **Amend Section 4(2) of the Securities Act of 1933 to make clear that the brokerage exemption is available to the broker executing an unsolicited order for the purchase or sale of securities, even though the securities involved in the transaction may be in the process of distribution.**

The Securities Act of 1933, in Section 4(2), exempts from the registration and prospectus requirements of that Act "brokers' transactions, executed upon customers' orders on any exchange or in the open or counter market but not the solicitation of such orders." From the time the Act became effective in 1933, until Aug. 21, 1946, the Commission had been consistent in its position that Section 4(2) exempted all transactions by brokers for controlling stockholders where the orders were unsolicited. On Aug. 21, 1946, the Commission handed down its decision **In the Matter of Ira Haupt & Co.** The Commision there stated that the exemption was not available to a broker if he were executing an unsolicited sell order for a person who was in a "control" relationship with the issuer if the seller was disposing of enough securities to constitute a "distribution." The effect of this decision was to repeal a large and important portion of the brokers' exemption.

Under the 1933 Act the controlling stockholder is free publicly to offer and sell unlimited amounts of the stock of the company he controls to an unlimited number of people. However, according to the Haupt decision if he offers these shares through a broker, the broker violates the law.

Prior to the decision in the **Haupt** case, the brokers knew what they could and what they could not do under the brokers' exemption. That decision completely upset long established precedents and procedures. It has caused great confusion as to the availability of the brokers' exemption. Not only are there no tests for determining when a "control" relationship with an issuer exists but there are no tests as to when a sale of securities constitutes a "distribution."

A broker who is paid but a small commission for executing a sell order should not be required to conduct an independent investigation and at his peril decide whether the seller for whom he is acting is in a "control" relationship with the issuer and whether the seller is engaging in a "distribution."

The report of the House Committee on Interstate and Foreign Commerce makes clear that the brokers' exemption is available whether or not the securities were in the process of distribution by a person in a "control" relationship with the issuer. We believe that this section sould be amended so that it clearly states what we believe Congress intended.

(3) **Add a new subsection to Section 4(b) of the Securities Act of 1933, which would exempt from the prospectus requirements of Section 5 sales of securities registered under the 1934 Act when the sale is made on an agency basis and the agent's compensation is disclosed to and paid by the buyer.**

The Securities Act of 1933 has been interpreted to mean that a broker "sells" a security to his customer if he solicits a buy order from the customer. If the solicitation is in writing, during the year after the offering, the writing must be accompanied by a prospectus, and if the customer buys the security on an oral solicitation, the broker is required to send a prospectus to the customer along with the confirmation. It is a practical impossibility to have in every brokerage office copies of prospectuses of all issues registered under the 1933 Act which have been offered within a year, and yet, under the present interpretation of the 1933 Act, a broker violates that Act unless he sends a prospectus with the confirmation of each solicited order on any security registered under the 1933 Act and publicly offered within the preceding 12 months. This problem is particularly serious where a company issues additional shares of a security. A broker who solicits a buy order from a customer has no way of knowing whether he will receive from the seller one of the new shares which has been offered within the year, or whether he will get one of the old shares which has been outstanding for many years. Accordingly, in order to be safe he has to send a prospectus with the confirmation of every solicited order.

Some time ago a study was made as to the number of shares

listed on the Exchange as to which prospectus requirements were in effect. On Dec. 31, 1946, there were 171,528,000 shares and $1,381,000,000 principal amount of bonds listed on the Exchange which were subject to the prospectus requirements.

This proposal would apply to all brokerage transactions in securities registered under the 1934 Act where the commission was disclosed to and paid by the buyer.

II.

Proposed Amendments Directly Affecting the Operation of Our Exchange and Member Firms

(4) **Amend Section 11(d) of the Securities Exchange Act of 1934 so that the extension of credit by a broker-dealer to a customer on a new issue of securities is prohibited only if he sold the securities to the customer or purchased the securities for the customer on a solicited order. The prohibition would apply only while the broker-dealer was engaged in the distribution of the securities and for four days thereafter.**

Under the present provisions of Section 11(d)(1) a broker-dealer is prohibited from extending credit to a customer on a security which was a part of a new issue in the distribution of which the broker-dealer participated as a member of a selling syndicate or group within six months prior to the transaction.

Under the proposed amendment the prohibition would only apply to securities which the broker-dealer sold to the customer and four days after a broker-dealer has completed his portion of a distribution and terminated his participation in a selling syndicate or group or in a stabilizing account in connection with a distribution he may extend credit on the securities which were subject to the prohibition.

We believe that the proposal to reduce the six-month prohibition against the extension of credit on any particular issue to a prohibition which runs only so long as the distribution is still in process, although removing certain unnecessary hardships will, nevertheless, preserve the effectiveness of the statute.

(5) **Amend Section 12(d) to reduce the waiting period on additional issues of listed securities from 30 to 10 days and to permit the registration of unissued securities which are to be issued in connection with "rights," offerings, reorganizations, mergers, etc., and refundings of listed securities or where the purpose is to provide an Exchange market for securities to be issued or sold in connection with reorganization under the Public Utility Act or the Railroad Reorganization Act.**

The law presently requires a 30-day waiting period between the receipt by the Commission of the certification of the Exchange and the date the registration becomes effective. It is proposed to continue the 30-day period for new issues of securities, but to reduce the waiting period to 10 days for additional amounts of an already listed security. While the Commission has almost universally granted acceleration in the case of additional amounts, the issuers and the underwriters cannot be absolutely certain that acceleration will be granted and, accordingly, their time schedules on offerings of additional securities are troublesome.

The proposed amendment would also permit when-issued trading of securities of listed companies on an exchange at the same time when-issued trading is permissible in the over-the-counter markets. If there is when-issued trading in securities of listed companies, the public is better protected by having that trading on an exchange because the public has full information as to the price at which the securities are sold when-issued.

The proposed revision would also clarify the Commission's rule making power with respect to when-issued trading in securities authorized by a plan of reorganization, recapitalization, merger or consolidation, or where there is a proposed refunding operation, or where a plan under the Public Utility Holding Company Act or the Bankruptcy Act had been approved by the SEC or the ICC.

III.

Proposed Technical Amendments

(6) **Amend the definition of "sale" to exclude a bona fide loan of a security.**

The definition of "sale" in both Acts is very broad. As a result, considerable reluctance has been found on the part of owners of securities to lend their securities for use in the exchange markets, due to a fear that the loan might be construed as a sale by the lender. This fear primarily rests on two bases: (1) That if the lender should be construed as being "in control" and the loan as being a sale made in connection with a distribution by him of his securities, registration would be required under the 1933 Act, and (2) if the lender is an officer, director or 10% stockholder of the issuer and the loan should be construed as a sale, the lender, therefore, becomes subject to the provisions of Section 16 of the 1934 Act, requiring reports of his purchases and sales and also to the possibility of liability under paragraph (b) of that Section for any profits which he might realize if he had held the security for less than six months at the time of making the loan.

It is obvious that, in connection with listed securities, loans of securities are essential for the maintenance of an orderly market. The necessity for such loans arises in the great majority of cases in connection with sales by out-of-town customers whose securities are not received by the time the selling broker is required to deliver, with sales by a trust or estate where time is required to have the security transferred so that it will be in good delivery form, and in a minority of cases in connection with short sales. Particularly where the floating supply of a given security may be somewhat limited, it is important that holders of securities will be willing to loan their holdings for such purposes without being restrained from so doing by the fears indicated above.

While in June, 1940, the Commission informally ruled that loans of securities might properly be effected without registration of the security under the 1933 Act and that such loans do not require reports by the lender under Section 16(a) of the 1934 Act, it has been found that potential lenders still hesitate to rely on this informal ruling and indicate continued reluctance to make loans. It is therefore urged that the definition of a sale under both Acts be changed so as to make it clear that a loan of securities cannot be construed as a sale.

(7) **Amend Section 19(b) to require the Commission to proceed by an "order" if the Commission changes an Exchange rule.**

Under the present statute the SEC could proceed either by an "order" or by "rules or regulations" to change Exchange rules. Under Section 25(a) of the Act any party to a proceeding aggrieved by an "order" of the Commission may appeal to the courts; it is not clear that an Exchange could not appeal from a "rule or regulation."

It is important that it be made clear that courts may review the action of the Commission in writing rules of the Exchange with respect to the fundamental matters set forth in Section 19(b).

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Current Possibilities in German Dollar Debt Settlement

dollar bonds outstanding, because of the paucity of data regarding repatriation, conversion and cancellation. (See table I.)

Prior to, or simultaneously with the reintroduction of trading in German dollar issues in the American market, attempts will be made to reach decisions in regard to the resumption of payments. A good deal of preliminary work has been done and is being done by the so-called Tripartite Commission on German Debts. From the Commission's report one gathers, *inter alia*, that Germany has agreed with the Three major Powers (United States, Britain and France) to assume full liability for her external commitments, including those contracted as a result of economic assistance rendered her in the postwar period. The report also emphasizes Germany's declaration of her willingness to resume the service on her obligations. In this connection one cannot help recalling the observation of a Continental cynic after World War I, when both Germany and Russia defaulted on their debts, in regard to the attitude towards commitments on the part of the two countries: Russia, he said, repudiates her commitments, but legalizes this step. Germany, on the other hand, recognizes her debt, but pays only if she received enough from her creditors to make it worthwhile for her to pay.

To facilitate a settlement, the Three Powers have agreed to a reduction in their claims upon Germany for activities connected with the occupation and economic aid. It is interesting to examine the concessions: Britain's claims of £201 million are settled for £150 million, to be paid in 20 instalments of £7½ million; France agrees to reduce her claims of $15,700,000 to $11,840,000, to be paid in 20 instalments of about $592,000 each, or the equivalent in French francs; America's claims amounting to $3,200 million are settled for $1,200 million, to be paid in 35 equal instalments of $52 million, which includes principal and interest at 2½% per annum.

TABLE I

	Amount Outstanding	Arrears per $1,000 Bond	Total Arrears	Total Debt
Government	$294,300,000	$533.10	$156,900,000	$451,200,000
States and Cities	84,659,000	1,015.00	86,011,970	170,670,970
Financial Instit'ns	73,633,000	978.30	72,035,500	145,668,560
Public Utilities	164,114,300	970.70	159,304,495	323,418,795
Industrials	132,542,965	907.25	120,248,090	252,791,055
Religious Instit'ns	7,626,500	1,042.50	7,950,725	15,577,225
	$756,875,765	$795.95	$602,450,840	$1,359,326,605

Thus, the United States agrees to "forgive" two-thirds of her claims upon Germany, while Britain and France surrender only one-quarter.

Discrimination Against U. S.

Those who contend that the above concessions are not discriminatory point to the balance of payments situations between Germany and her various creditors. Because of her huge adverse trade balance with the United States, American investors are called upon to make relatively greater concessions. To be sure, U. S. exports to Germany are very considerably in excess of imports from Germany, but this deficit is more than offset by huge "invisible" items. American forces in Germany, both military and civilian, are probably well in excess of 100,000. Regardless of how conservatively one may compute the dollar expenditures in Germany, incident to such a vast army of U. S. employees, the amount is most definitely in excess not only of Germany's trade deficit with the United States, but is probably sufficient to offset Germany's entire adverse trade balance. However, this is not the first nor the only time American creditors of Germany have been discriminated against. America's generosity is truly proverbial and is almost taken for granted. It will be recalled that after World War I all participating victors claimed and received reparations from Germany. Only the United States asked nothing—and got just that. Strange though it may seem, reparations were paid largely with funds which American investors had loaned Germany.

The Debt Commission has also intimated that the Dawes and Young loans as well as the so-called Match Loan, would be accorded special treatment. This phrase would seem to indicate that the creditors, or those acting on their behalf, do not expect restoration of the original terms as regards the various German dollar issues. This is borne out by the following comment made by the Commission:

"There is no doubt that in the long run, Germany will have to balance her external accounts without exceptional assistance. However, this doesn't imply that she would be able to service or repay the total amount of the pre-war debt with accrued interest, especially if she were required to pay interest at the original contractual rates.

"This method of adjustment . . . might vary according to the catagories of debts and also according to the situation of the debtors."

Among Germany's dollar obligations are bonds of the City of Saarbruecken and the Saarbruecken Mortgage Bank. Because of the political status of the Saar Valley, it is possible that the dollar bonds of the debtors domiciled within this area, may be accorded different and possibly more favorable treatment than that given German debtors in general.

Even though the assets of certain German debtors are, in whole or in part, located in the Soviet dominated Eastern Zone, the debt settlement, as and when made, is not expected to give too much, if any, consideration to this point. However, it is not unlikely that those charged with effecting a final settlement may take into account the extent to which assets are domiciled beyond the reach of creditors, and call upon the latter to make concessions accordingly.

At this writing, it is difficult to state on what terms German dollar debts will be adjusted.

Possibilities of Settlement

It is possible that the Italian debt settlement (the so-called Lombardo Plan) may serve as a basis for adjusting defaulted dollar bonds of the various German debtors. On this assumption, the accruals of interest will be added to the principal, and the total will be scheduled to mature within 30 years, bearing interest at 1% for the first three years; at 2% for the following two years; and at 3% thereafter to maturity. The average rate of interest will thus amount to about 2.73%. The original debt of $1,000 will have an average par value of about $1,796.00. Should trading be reopened, bonds may be expected to sell initially at prices to yield currently, on the average, between 10 and 15%. (See table II.)

TABLE II

To Yield Currently	Hypothecated Price Old Bond (Par $1,796)	Hypothecated Price New Bond (Par $1,000)
15%	32¾	18¼
14½%	33¾	18⅞
14%	34½	19½
13½%	36¼	20¼
13%	37⅝	21
12½%	39⅛	21⅞
12%	40¾	22¾
11½%	42½	23¾
11%	44⅞	25
10½%	46⅝	26
10%	49	27¼

Should final arrangements be different from those made in connection with Italian bonds, quotations, based upon such arrangements will, of course, differ. However, the yields are not expected to vary greatly from those suggested above, especially in the initial stages of the settlement. What the American investor should especially guard against is not so much the exent of concessions he may and probably will be called upon to make today, but rather the extent to which he may be prevailed upon in the future, to place additional capital in Germany, without adequate security and guarantees.

Bankers Offer Arizona Public Service Stock

The First Boston Corporation and Blyth & Co., Inc. jointly headed an investment group which on March 26 offered 400,000 shares of common stock of Arizona Public Service Co. at $12.75 per share.

Proceeds from the stock sale will be used to pay part of the loans incurred for construction purposes. The company expects to spend about $20,000,000 during 1952 and 1953 on new construction of which the chief item is a 100,000 kw turbo-generator slated for completion in 1954. Approximately $12,000,000 will be required from additional financing to complete this two-year program.

Arizona Public Service supplies electricity, natural gas and water throughout an area of 30,000 square miles in 10 of Arizona's 14 counties. Last year about 72% of operating revenues came from electric sales and 25% from sales of natural gas purchased from El Paso Natural Gas Co. Rate increases approved in June and December, 1951, are expected to produce an aggregate annual increase in revenues of $2,150,000.

During the last decade Arizona has been the second fastest growing state in the nation. Operating revenues of Arizona Public Service have risen steadily from $11,383,843 in 1947 to $22,188,302 in 1951 and net income from $953,250 to $2,163,456, all on a consolidated basis. Dividends on the common stock are currently being paid at the rate of 20 cents per share. The company's constituent corporations have paid dividends on their common stocks since 1920 and 1940.

Stock Exchange Firm Will Sponsor New Radio Series on Mutual Funds

FUND MANAGERS WILL BE INTERVIEWED

Sunday Broadcast Will Originate On Radio Station WOR At 10:15 a.m. Beginning March 30; Kidder, Peabody Is Sponsor

RECORDINGS TO BE GIVEN TO DEALERS

By CARTER BURKE

Beginning Sunday, March 30, America's leading mutual fund managers will be "on the air" in a weekly series of 15-minute radio programs which will originate on radio station WOR at 10:15 a.m.

Entitled, "Your Money At Work," the program will introduce to Sunday listeners from Maine to Virginia the distinctive personalities and economic and financial viewpoints of the management chiefs of the country's leading open-end investment companies.

Sponsor of the 13-broadcast series is the mutual funds department of Kidder, Peabody & Co.

Milton Fox-Martin, who will interview the guest speaker on each weekly broadcast, said yesterday: "'Your Money At Work' will emphasize the underlying theme of investment in shares in the whole country, not just in a few enterprises or industrial groups. The underlying theme will point up the significance of investing in shares of America, the opportunities and rewards of our free-enterprise system, and the role of the mutual funds industry in our modern economy."

Mr. Fox-Martin, manager of Kidder, Peabody's mutual funds department, continued: "This is the first time, we believe, that the young but flourishing mutual funds industry has united as one voice to tell the story of saving and investing to masses of the American people."

He explained that the talk will be directed at both men and women, and at an hour which is normally one of relaxation; before church and before the hours of Sunday entertainment and diversion.

In sponsoring "Your Money At Work," it is the Stock Exchange firm's stated purpose to render a service to the mutual funds industry by enlarging the public's opinion of—and respect for—this relatively new medium for collective investing.

In addition to primary listener "coverage" up and down the Eastern seaboard, secondary coverage will be achieved by duplicate acetates of each recording which will be made available not only to Kidder, Peabody's branch offices, but also to its cooperating mutual funds network of more than 90 independent dealers.

These records will contain only the "body" of each interview, the Kidder, Peabody advertising message having been cut out.

Records will also be made available to each guest speaker's own organization for distribution to dealers particularly interested in funds sponsored by his organization.

In order to comply with the Securities and Exchange Commission's Statement of Policy and Rule 223 of the Securities Act of 1933, the guest will only be introduced by his management title with no mention of the mutual funds his company manages.

No mutual funds will be referred to or mentioned by name during the discussion portion of the program.

The interview will last from 10 to 12 minutes, with the rest of the 15-minute program devoted to a general, institutional commercial in which radio listeners will be invited to write in for literature on Mutual Funds investing.

It was stated that Sunday morning was chosen for the program because television competition at that time is less than either later in the day or in the evening.

Although it is generally considered that mutual funds appeal to a "mass market," the format of these broadcasts, the calibre of guests, the educational character of the interviews, and the selection of the time and station are purposely intended to achieve selectivity in reaching an intelligent, higher income audience.

A closely-geared public relations program will be launched by Kidder, Peabody to coincide with the beginning of the broadcast series. Branch offices and cooperating dealers, utilizing transcriptions of the broadcast, will be encouraged to conduct similar public relations and group activities in their own areas.

Schedule of Broadcasts On Mutual Funds

The following programs will originate on Station WOR at 10:15 a.m. on the date indicated:

March 30: Hugh W. Long, President of Hugh W. Long & Co., "What Diversification Means to You."

April 6: William A. Parker, President of The Parker Corp., "Risks and Rewards of Investing."

April 13: Walter L. Morgan, President of Wellington Corp., "Honest Dollars."

April 20: Charles F. Eaton, Jr., President of Eaton & Howard, Inc., "Economic Democracy."

April 27: Harry I. Prankard, Partner of Lord, Abbett & Co., "Why Invest in Common Stocks?"

May 4: Hugh Bullock, President of Calvin Bullock, "Collective Investing."

Mutual Funds

By ROBERT R. RICH

THE AGGREGATE public and private debt has grown far beyond any prewar level and the trend seems still to be upwards although at a more moderate pace than during the war years, Calvin Bullock, New York investment management firm, points out in its current study, "Money and Debt." There are no overt signs that debt imposes an intolerable economic strain, but the implications of its magnitude and progression would seem to merit close examination, the study says.

"From 1929 to 1945 the great increase was in Federal debt, as the Federal Government first sought to underwrite recovery and then meet a large part of the cost of the war effort by deficit financing," the company continues.

"Since 1945 the increase has been in private debt to finance the huge volume of plant expansion, to expand working capital to carry on a large volume of trade and to finance the extensive investment by individuals in housing, automobiles and various durable consumer goods.

"Private and local government debt which was 91% of the total at the end of 1929 accounted for only 38% at the end of 1945, but has since risen to 58%. The balance, of course, is Federal debt.

"The interesting thing is that while the proportions of the debt structure have not yet returned to their prewar relationships, the trend toward a greater proportion of Federal debt which was uninterrupted from 1929 to 1945 has since been reversed and private debt again accounts for over half of the net total.

"The particular significance of this lies in the fact that private debt is more flexible in character and subject to reduction under adverse economic conditions.

"In the light of these hypotheses our concern with the increasing private debt can be understood. The importance of the present debt would not seem to have so much to do with its burden on the economy as with the probable influence of changes in private debt upon national income. Such influence would appear to be considerably greater than its proportion of the total public and private debt volume would at first glance appear to justify. If the trend of private debt toward supporting a larger proportion of the money supply continues as it has in recent years the implications become greater.

"The significance of these conclusions in terms of the over-all economy is that a substantial reduction in the investment program which has injected successive amounts of purchasing power into the economy since the war, can have a repressive effect upon national income. Only extreme deficit government financing might substantially counteract this. We appear still to be in an economy where the most important economic trends, in years of nominal peace, will be determined by forces set up in its private segment.

"While this has its attendant dangers, it also has its opportunities. It is encouraging to note that despite the unrestrained growth of government, the primary forces shaping economic developments are still those concerned with decisions of the consumer and private business."

INCORPORATED Investors outstanding shares have been split three-for-one as a result of action taken by its stockholders at the Annual Meeting and the par value of the stock has been changed from $5 to $1 per share. Necessary adjustments have also been made in the Corporation's Systematic Investment Program providing for investments in shares and credits by making payments at scheduled intervals.

William A. Parker, President of the open-end investment company, stated that the change was made for the convenience of both present and future stockholders.

William A. Barron, Jr., William H. Chatfield, George C. Cutler, Raymond Emerson, Wm. Tudor Gardiner, James A. Lowell and William A. Parker were reelected directors of the Corporation at the meeting.

ANNOUNCEMENT has been made of the formation of Sterling Investment Fund, an open-end investment company which will operate as a "balanced" type, investing in common and preferred stocks and government and corporate bonds. The Fund, however, in its charter provision is required to maintain at least 25% of its net assets in cash, bonds, preferred stocks or a combination of the three.

The Fund, with net assets of approximately $185,000, has a per share value of about $10. Of the 1,000,000 shares of authorized capital stock, 18,546 are now outstanding.

Shares of the Fund are currently offered at net asset value per share, plus an underwriter's distribution charge of 2%, part of which, the Fund states, may be allowed as discounts to dealers.

MUTUAL FUND DIVIDEND ANNOUNCEMENTS

All listings are quarterly payments from net investment income unless otherwise noted

Fund—	Div. Per Share	Approx. Price	When Payable	Holders Of Record
General Investors Trust	6c	$6.27	4-21	3-31
Guardian Mutual Fund	10c	12.24	4-25	4-18
Jefferson Custodian Fund	10c	----	3-31	3-24
Massachusetts Investors Trust	42c	42.24	4-25	3-31
Massachusetts Life Fund—				
Units of beneficial interest new	25c	30.69	3-31	3-24
Mutual Fund of Boston	15c	16.25	3-31	3-20
Oglethorpe Fund	15c	----	4-10	3-31
Prudential Fund	20c	----	3-31	3-12
Rittenhouse Fund	11c	----	3-27	2-29
Selected American Shares	12c	----	4-28	3-29

The sales charge will be reduced to 1½% on single purchases between $10,000 and $25,000 and to 1% on single purchases between $25,000 and $50,000. There is no sales charge on purchases over $50,000.

Officers and directors of the Fund are Jonathan G. Gullick, President and director; W. Olin Nisbet, Jr., Vice-President and director; R. S. Abernathy, Jr., Secretary; Linn D. Garibaldi, Treasurer; William R. Hackney, Assistant Secretary; C. Edward Beman, director; Hugh A. Cathey, director; Earle A. Hamrick, director; Frank L. Jackson, director, and David M. McConnell, director.

The advisory board includes William H. Barnhardt, John C. Erwin, H. H. Everett and Adrian L. Shuford.

H. EUGENE DICKHUTH, financial writer for the New York "Herald-Tribune" and New York Correspondent for the "Financial Times," London, was a guest on transcribed radio broadcast sponsored by America's Future, Inc.

In the broadcast, entitled "Speak Up, Americans," Mr. Dickhuth presented a man's viewpoint on women and money and the growing importance of learning what they can do through careful and informed stewardship to conserve their earned and inherited savings.

Mr. Dickhuth, in summarizing his financial briefing for women, offered a list of seven "investment don'ts."

"First," he said, "do not put all your eggs in one basket. Invest in different companies and diversify your risk with bonds and preferred stocks and common stocks.

"Second, don't go to a broker or investment dealer just because you like him. Look for personal integrity, plus experience, plus sound judgment.

"Third, don't listen to 'get-rich-quick' schemes. As a widow or divorcee, you are put on many a 'sucker list.' Avoid glittering speculations.

"Fourth, don't buy for a quick killing, a quick profit, and, fifth, don't try for an unusually high interest and dividend income. About 6% is tops today and anything from 3½ to 6% is high enough to expect for reasonable safety.

"Sixth, don't think you can go to sleep once your initial program is established. Conditions change all the time. Mortality in business is sometimes as great as among the people who run it. Constant professional supervision is necessary for all investments.

"And seventh," Mr. Dickhuth concluded, "don't get nervous about the daily fluctuations in prices. There is usually a buyer for every seller — some higher, some lower, depending on conditions. But make sure the underlying conditions do not seriously affect the long-term value of your holdings."

Mr. Dickhuth, in his interview with Bill Slater, explained briefly the advantages and benefits of mutual funds.

PERSONAL PROGRESS

JONATHAN G. GULLICK has resigned as President of Interstate Securities Corp. in order to take the position as President of Sterling Investment Fund. W. Olin Nisbet, Jr., has been elected President of Interstate Securities to succeed Mr. Gullick. Mr. Nisbet is also a Vice-President and director of Sterling Investment Fund.

Mutual Fund Notes

TIME HAS been taken by Wellington Fund on WCAU-TV, the Columbia Broadcasting System affiliate in Philadelphia, for a series of spot announcements on successive Sundays.

The campaign began Sunday, March 16. The time—4 p.m. The Wellington Fund commercial is preceded by Edward R. Murrow's "See It Now" program and is followed by a popular melodrama.

The campaign marks the first use of television in the Philadelphia area by any mutual fund. For this reason, it is in the nature of an experiment. Its duration will depend on its effectiveness.

NEW PROSPECTI

BOND INVESTMENT Trust of America has released for dealers a revised prospectus dated March 3, 1952.

EATON & HOWARD Balanced Fund has issued a prospectus dated March 12, 1952.

MASSACHUSETTS Investors Second Fund's latest prospectus was issued on March 11, 1952.

DIVERSIFIED FUNDS, including Diversified Investment Fund, Diversified Preferred Stock Fund, Diversified Common Stock Fund and 20 other series, has prepared for dealers a prospectus dated March 17, 1952.

MANHATTAN Bond Fund's new prospectus is dated March 17, 1952.

STERLING INVESTMENT Fund, Commercial National Bank Building, Charlotte, N. C., has released an initial prospectus dated March 12, 1952.

SEC REGISTRATIONS

COMPOSITE BOND and Stock Fund filed on March 21 180,000 shares of capital stock. No underwriter.

RITTENHOUSE Fund filed a registration statement with the Securities & Exchange Commission on March 11 covering 100,000 participating units to be offered at market.

LEWIS (JOHN H.) on March 19 filed on 100,000 shares of capital stock to be offered at market through the Lewis Management Company.

INVESTMENT COMPANY of America, Los Angeles and Wilmington, Del., filed March 26 on 1,500,000 shares of common stock. No underwriter.

Continued from first page

The Transistor— An Electronic Miracle

nervous system. As a result, the uses of electronics are as varied as the functions of the sensory and nervous system itself. Electronics helps man to see, hear, feel, smell, taste, to accept and evaluate data, and to make automatic decisions. It does all these things over wider ranges of stimuli and greater distances in space than is otherwise possible."

This, in a broad way, is what electronics can do for us. The truly amazing growth of the electronics industry in a relatively short time is unparalleled in history. Most of you are probably already familiar with the jump from an estimated $230 million worth of electronic equipment at factory value for the year 1939 to well over $4 billion a short five years later. Naturally, the bulk of the tremendous increase was for the military, but nonetheless, it was the same industry which handled this more than 18-fold expansion. And just to prove this growth wasn't merely a flash in the pan, it is estimated that by the end of last year, total electronics production was running at an annual rate at least equal to the peak set during World War II. This time, though military production was an important part of the total, it constituted less than 50%. Will the electronics industry continue to show this phenomenal rate of increase? A Sylvania Electric Vice-President, E. F. Carter, has gone on record with a $7 billion forecast for next year. We think Mr. Carter is somewhat on the optimistic side, but there's no question that 1953 will set a new high in electronic production.

Not only is the science of electronics (for it is a science rather than an "indsutry," even though it is generally referred to in that manner) rapidly replacing many of the heretofore conventional applications with which we are familiar, but even in electronics itself, new developments evidence themselves with dazzling rapidity. A year ago I wrote an article for "The Commercial and Financial Chronicle" with the headline, "Electronics—The Growth Story of a Century," and said: "Indeed, the electron tube is today's Aladdin's Lamp itself, capable of performing miracles for those who know its secrets." Looking not too far into the future, there is now strong evidence that instead of the electron tube, it will be the transistor which will perform the miracles.

A New Gadget

What is this amazing electronic device which has captured the imagination of realists and dreamers alike—the "gadget" which some scientists have stated will change all of our lives more profoundly than nuclear energy or any other "discovery" of this century? In simple terms, a transistor is a speck of germanium metal, contacting either two or three wires in a plastic or metal shell. In the "junction" transistor, a tiny rod of germanium, about the size of a pinhead, is the heart of the device. The ends of this rod have had added to them impurities which cause the electrons to concentrate there, while in between there is a deficiency of electrons. Therefore, the ends of the rod become the equivalent of the filament and plate found in the vacuum tube, and the center becomes the grid. As a result, no energy is required to "boil out" the electrons as there would be from the filament in a tube. Furthermore, there is no filament to burn out, nothing to wear out, and practically nothing that can be expected to damage the transistor.

In addition to the minute size, almost indefinite life and ruggedness, the power requirements are staggeringly modest. In some applications it may run as small as a millionth of the power required to operate vacuum tube equivalents. As compared to power used (or wasted) today, this is much the same as sending a 12-car freight train to haul nothing but a pound of butter, which is the way a Bell Labs man so aptly stated. Bell has a junction transistor circuit which operates solely from the energy picked up by a photocell in front of a white shirt. Dr. Robert M. Burns, chemical director of Bell Labs, recently predicted a "new electronics industry, based on the transistor and other electronics devices employing germanium, that will become the rival in size of the chemical industry." (And Bell Labs personnel are ultra conservative in all things, especially public forecasts.)

Mass Production of New Device Underway

Transistors did not come into being overnight. Almost four years ago, the "Physical Review" published a paper by two scientists from Bell Telephone Laboratories, the company which has done more than any other to bring the transistor to its present stage. The paper describes the transistor as "a three-element electronic device which utilizes a newly-discovered principle involving a semi-conduction as the basic element." Of course, work had been going on in the field of semi-conductors for quite a while before this paper saw the light of day. Since that time, Bell Labs have published a volume as thick as a big city telephone book, called "The Transistor," and in April will hold symposiums at its pilot plant (the first one) for all of its licensees. This is all by way of saying that the transistor is not a commercial reality as yet, even though it seems to be well on the way to achieving that status. Even though mass production of the device hasn't been fully mastered yet, here are a few of the companies which either have gone into the business seriously or at least have announced they will get into it: General Electric (second only to Bell Labs in accomplishments to date), RCA, Sylvania, Raytheon, Westinghouse, IBM and Philco.

The engineers we have talked transistors with are agreed on one thing: it is not an easy component to make. No doubt the day will come when mass production techniques will allow tremendous quantities of different varieties of semi-conductors to be turned out at extremely low cost. In the meantime, we don't want to give the impression that the transistor miracle is just around the corner. Nevertheless, it is difficult to over-emphasize the potential usefulness and unique qualities of the device that not only performs roughly the same functions as the vacuum tube, but should in time replace many applications where tubes are required today and bring about countless new uses.

RCA has spoken of the possibility of a real Dick Tracy item, a tiny radio worn on the wrist, using transistors with no batteries, with heat from body energy supplying power. The infinite potentialities in all fields of electronics not only challenge the imagination, but according to the best scientific knowledge and opinion on the subject, will in many cases be commercial realities within our lifetimes. The transistor is but one of various new devices coming out of the electronic laboratories. Today it looks like the most important one, but tomorrow there may be something just as significant. The only thing we can be sure of is the continued growth of electronics which, to put it tritely, has merely scratched the surface. Though electronic science is already in the process of contributing to a technological revolution, many of those familiar with what can some day be expected of the transistor feel that it will superimpose a new revolution of even greater magnitude on the one now under way.

Forest Shipley Now With Edgerton, Wykcff

Forest W. Shipley

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Forest W. Shipley has become associated with Edgerton, Wykoff & Co., 618 South Spring Street. Mr. Shipley was formerly Manager of the Trading Department for Marache Sims & Co. and prior thereto was an officer of Quincy Cass Associates.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles E. Shea has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

Neary, Purcell Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert J. Martin, III, is now with Neary, Purcell & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange.

Murphy & Co. Admit

Murphy & Co., 39 Broadway, New York City, members of the New York Stock Exchange, will admit Vincent E. Scullin to partnership on April 3rd.

Continued from first page

Beating the Tom-Toms!

How can the Commission possibly reconcile this testimony with its present sponsorship of the current proposal to implement Title V?

When was it in error, then, or now?

The securities industry is indebted to Representative Fred E. Busbey of Illinois for his courageous fight in its interest.

Because of his background as a broker-dealer Mr. Busbey is well qualified to deal with this problem.

The "Congressional Record" shows that he has been indefatigable in his opposition to the contemplated taxing of brokers and dealers, and has exchanged correspondence among others with Donald C. Cook, SEC Chairman, and Hon. Albert Thomas, Chairman, Subcommittee on Independent Offices Appropriations.

The following quotation from a letter dated March 6th which Mr. Busbey sent to Mr. Thomas is significant: "It is my opinion that the SEC should have held public hearings first before sending out any proposed schedule to brokers and dealers, but notwithstanding this fact, I do not see how any hearings held by the SEC could properly correct the injustices that will be done to brokers and dealers by such a hearing. The hearings, as you well know, will not be on the inequities of the law as interpreted by the SEC, or any amendment to the law, but merely upon the amount of fees to be charged. It is for that reason that I sincerely trust that, in the wisdom of the Subcommittee on Independent Offices Appropriations, of which you are Chairman you will, in reporting out your appropriation bill, write into the law a specific provision exempting brokers and dealers from any proposed fees to be charged by the SEC under Title V, Public Law 137."

It will be recalled that Representative Busbey is himself the author of a bill, H. R. 6846, providing for the amendment of Title V by inserting the following provision at the end thereof: "And provided further, That nothing contained in this title shall authorize the Securities and Exchange Commission to prescribe any registration, filing, or other fee or charge with respect to brokers or dealers subject to the Securities Exchange Act of 1934, as amended."

We have said editorially on previous occasions that while the idea of this bill is an excellent one we had grave doubts about its validity because only brokers and dealers (a special class) were the selected beneficiaries.

In this connection the answer of Representative Thomas to Representative Busbey's letter of March 6th is important.

He said: "Concerning the proposed fees under Title V of the Independent Offices Act of last year, that language is not a positive mandate or directive to any of the other 40 or 50 Government agencies involved. **This being true, I think it would be improper for the committee to single out any one agency for exemption."** (Emphasis supplied.)

The following exchange in the House of Representatives points up the argument that Title V is unconstitutional: "Mrs. St. George (Representative from New York): Is it not a fact that in view of the very doubtful constitutionality of Title V the courts would very likely throw out any cases that might be brought up? It is my understanding that cases have been brought up under similar legislation, namely, the National Recovery Act of 1933 and the Agricultural Act of 1933, and in all these cases the courts have upheld the petitioners against the law. Mr. Busbey: I think the gentlewoman from New York is correct. I would not take it upon myself to decide for the courts, but why go to all that trouble? Why should the Securities and Exchange Commission even think of these proposed fees? There is no reason and no justification for levying them, in the first place. It is causing a great deal of mail to come to every Member of the House, and is causing a great deal of trouble and expense to the industry as a whole."

Another statement on the Floor of the House of Representatives strikes us as being not only pertinent but extremely important. After Representative Busbey had yielded to Mr. Coudert of New York, Mr. Coudert said: "I only want to take this opportunity to commend my distinguished colleague for the strong line he is taking upon this subject. As one Member of this House it seems to me quite clear that the Securities and Exchange Commission is stretching very far the language of this Act and is certainly interpreting it in no sense as Congress intended that it should be interpreted. I commend the gentleman for the amending legislation that he is offering, **and for my part I am inclined to believe that this entire Section V should be repealed because under it, if other agencies are permitted to extend their power contrary to the obvious intention of the Congress as this one is, then it will definitely create a secondary tax structure and constitute a very great burden on business."**

Our campaign to annihilate Title V and the proposal of the Commission to implement it is not without its compensations. We have received letters of approval from a number of our legislators, from men in the securities industry, and from members of the public generally.

Following our example the cudgels in opposition have been taken up in many quarters and there has been a unity of opposition not recently attained in our field.

Industry in general is beginning to appreciate the inherent dangers of Title V and one of the most recent opponents is the New York Chamber of Commerce, which has released an opposing memorandum through the medium of its Committee on Taxation, of which Percival F. Brundage, senior partner of Price, Waterhouse & Co., is Chairman.

The SEC, however, turns a deaf ear to this torrent of antipathy. It adopts an attitude of convenience, that is, convenience to the Commission.

When the Independent Offices Appropriation Bill was in the hopper and the Commission had an opportunity to discuss it and give testimony, and to circularize the proposal, it failed to do so.

The Commission backs away from the constitutional argument. The SEC will not recognize that Title V is merely permissive and not mandatory since it just expresses an opinion in saying "It is the sense of the Congress."

The Commission holds itself out as being concerned with the fiscal policy of the Appropriations Committee, and will take no position on whether Title V is a proper expression of that policy. In our view, however, the SEC is thoroughly content with Title V because under it the SEC intends to exercise the tremendous powers which the ability to tax implies.

There must be a more intense molestation of the Commission as it continues to beat the drum for the exercise by it of more and greater powers.

Such reaching out endangers the very existence of the securities industry.

Again we emphasize the medium, the immediate overall remedy insofar as Title V is concerned. It is the prompt repeal of that Title.

EDITOR'S NOTE: The "Chronicle" continues to receive communications from members of Congress and of the securities industry, etc., relative to our previous articles on the SEC "fees" proposal. Comments currently at hand are given herewith.

PERCIVAL F. BRUNDAGE

Chairman, Committee on Taxation, New York Chamber of Commerce, New York City

The pending proposal of the Securities and Exchange Commission to impose a series of new fees and charges, estimated to aggregate $1,225,000 in addition to present registration fees and charges, was opposed in part by the Committee on Taxation of the New York Chamber of Commerce in an interim report issued on March 24, and to be presented at the Chamber's monthly meeting on April 3.

Percival F. Brundage

"The authorization of registration requirements and registration fees should properly remain the responsibility of Congress," the Committee said, charging that part of the Commission's proposed new charges would in effect "create a series of subsidiary taxes in the guise of regular registration fees" payable by investment companies, broker-dealers, investment advisers and public utility holding companies.

"The inauguration of this type of fee would be dangerous in the extreme and could easily be imposed by every other government agency," the Committee declared in urging the Commission to limit its proposed charges to work done, reports, registration statements and other publications it issues.

According to the SEC proposal, the following new fees and charges are contemplated:

(1) Letters of notification and other exemptive filings under Section 3 (b) of the Securities Act—$25 per offering.

(2) Qaulification of trust indentures covering securities required to be registered under the Securities Act— $100 per indenture.

(3) Annual registration fee payable by investment companies —ranging from a minimum of $30 for companies having gross assets of $300,000 or less to a maximum of $2,500 for companies having gross assets in excess of $200 million.

(4) Annual registration fee payable by brokers and dealers—$50 plus $10 for each officer, partner, employee, etc., engaged in selling securities or supervising such activity.

(5) Annual registration fee payable by investment advisers—$50.

(6) Annual registration fee payable by public utility holding companies—1/200th of 1% of the assets of the system with a maximum of $25,000 and a minimum of $500.

(7) Annual fee for certain conditionally exempt public utility holding companies — 1/200th of 1% of the system assets with a maximum of $500.

In addition there would be an increase in the present fees for photo-duplications and a charge of $1 for each certification.

"While several of the items proposed by the Commission appear to be justified as being charges rendered to special beneficiaries, those proposals to impose annual registration fees on brokers and dealers, investment companies, investment advisers and public utility holding companies raise serious questions," the Committee concluded.

"Such registration fees as are proposed, cannot be considered charges for special services. Investment companies, brokers and dealers in securities, and others who are required to register under the Securities Exchange Act are not special beneficiaries. They are required to register with the SEC 'in the National public interest,' and not because of any service, benefit or privilege of value resulting from registration.

"There are far-reaching implications growing out of the SEC proposal for registration fees. Under the stated justification for the fees, virtually every agency of government could impose similar types of fees. The obvious result would be to create a subsidiary tax structure framed, not by Congress, but by the government agencies themselves. This would be exceedingly poor public policy."

HON. NORRIS POULSON

U. S. Congressman from Calif.

I have read the editorial, "The Honorary Pallbearers," in the "Chronicle" of March 13. I think you are on the right track and you should keep hammering at the SEC and get the people aroused as to how such matters are put over. Unfortunately, in the past, Congress has been writing too many general laws granting authorities to the various agencies to write the rules and regulations. Then the rules and regulations become the laws and not the general authorization which we passed. This is a fine example of just that.

I agree with your argument that about the only solution now is just to repeal Title V of the Independent Offices Appropriation Act of 1952.

HON. RALPH A. GAMBLE

U. S. Congressman from N. Y.

Last year, instead of finding and recommending ways toward greater economy in government and reduction of the Budget, the Democratically-controlled Senate Committee on Expenditures in Executive Departments headed by its chairman, Senator McClellan of Arkansas, made extensive studies looking toward means of producing revenues. The Committee felt charges could equitably be made for many of the services performed by agencies of the government. On the basis of the recommendations of the Committee, a provision was inserted in the Independent Offices Appropriation bill authorizing Federal agencies to levy fees for services.

By interpreting the language in the law which authorizes the imposition of "fair and equitable" fees to mean exorbitant charges may be made, the Securities and Exchange Commission has far exceeded its authority and gone far beyond the intent of the Congress.

The Congress undoubtedly will act to correct this and I shall certainly support remedial legislation.

At the request of the Securities and Exchange Subcommittee of the House Committee on Interstate and Foreign Commerce, the

Securities and Exchange Commission will hold public hearings on the fee proposal beginning March 14. If the Commission does not revise its schedule to make its fees "fair and equitable" I hope and expect that the Congress will amend the law to prohibit action by any governmental agency which was never intended by the Congress. I shall support such legislation.

HON. HERBERT H. LEHMAN
U. S. Senator from New York

As you have stated, this SEC proposal is the result of a Congressional admonition included in the Executive Offices Appropriation Bill for fiscal 1952 passed last year. Title V, entitled "Fees and Charges," was inserted in that bill by the House of Representatives and approved unchanged by the Senate. According to Title V, all government agencies are urged to prescribe fees, charges and prices which are "fair and equitable taking into consideration direct and indirect cost to the government, value to the recipient, public policy or interest served, and other pertinent facts." The purpose of this, in the words of the legislative language, is to make this type of government work or service "self-sustaining to the full extent possible."

From the reading of the Appropriations Committee's reports on that bill, it is obvious that the prime reason for the insertion of Title V was a desire to raise Federal revenues in this manner so that the agencies involved might be able in the future to request smaller appropriations for their upkeep. Some of the more vocal spokesmen in Congress for government economy insisted during the past few years that government agencies could provide more of their own administrative funds than they are now providing.

However, I understand fully your desire that whatever revisions are made by the SEC in these rules be reasonable and fair. In this connection, I was notified by Congressman Louis B. Heller, Chairman of the SEC Subcommittee of the House Committee on Interstate and Foreign Commerce, that his group unanimously adopted a resolution on March 5 urging the SEC to hold public hearings on this matter. Chairman Heller informed me further that in response to this request, the SEC decided to hold these hearings beginning March 14.

EDWARD F. HINES
Corresponding Secretary, Boston Securities Traders Association

Editor's Note: Following is text of a letter sent on behalf of the above-mentioned association to Senator Brewster of Maine by Mr. Hines who is associated with Chace, Whiteside, West & Winslow, Inc., Boston, Mass.

Hon. Owen Brewster,
Senate Office Building,
Washington, D. C.

Dear Senator Brewster:

I am writing to you on behalf of the Boston Securities Traders Association, an organization whose 257 members reside in the five New England States of Maine, New Hampshire, Vermont, Massachusetts and Rhode Island. We are opposed to the recent release of the Securities and Exchange Commission on their proposal to Adopt and Amend Rules with Respect to Fees and Charges by the Commission.

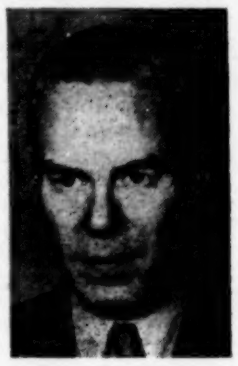
Some proposals, such as fees for reproduction of documents, are all right. However, most of the rest are additional taxes, in some cases duplicating fees already paid to a national securities organization. This industry is now taxed perhaps more heavily than is proper, with income taxes, transfer taxes, NASD fees, etc. Any further taxation would become not only burdensome, but punitive.

The delegation of the taxing power by Congress to various governmental agencies, as the Independent Offices Appropriations Act of 1952 is being interpreted by the SEC, can have far-reaching consequences which we believe would be detrimental to the United States and to the position of Congress. We believe it was not intended by Congress that this Act be applied in the way which the SEC has signified its intention to act.

Very truly yours,
BOSTON SECURITIES TRADERS ASSOCIATION,
By
EDWARD F. HINES,
Corresponding Secretary.

CURTIS V. ter KUILE
Hallgarten & Co., New York City

When I read in the newspaper recently that the Securities and Exchange Commission was planning to tax investment bankers and brokers and also to levy certain other new charges against the securities business my first thought was that such a procedure would be illegal and that the taxing power on the citizens rested solely with Congress. Consequently, I was delighted to note in your issue of Feb. 7 that you are taking the lead in opposing this new encroachment on businessmen.



Curtis ter Kuile

I wish you great success in your efforts to prevent the abovementioned usurpation of power.

NORMAN F. DACEY
Norman F. Dacey and Associates, Bridgeport, Conn.

Editor's Note: Mr. Dacey has furnished the "Chronicle" with a copy of a letter sent by him under date of March 12 to Senators William Benton and Brien McMahon, both of Connecticut. The letter is reproduced herewith:

Dear Senator:

The Securities and Exchange Commission was created by the Securities Act of 1933 to regulate the sale of securities in our country. It was created not for the benefit of those engaged in the security business but rather for the protection of the general public. Security dealers derive no benefit from such regulation; the public derives a vast benefit. It is proper, therefore, that the cost of this protection should be a general expense of government shared by all the people. To ask the security dealers to pay for the cost of their own regulation is as ridiculous as levying a special tax on auto owners to pay for traffic police. Similarly, the Food and Drug Administration's expenses are borne by the people as a whole; they are not raised by a direct levy upon those who produce or handle foods or drugs.

The power to tax is exclusively the right of Congress. Members of Congress should be alert to any move from any direction to rob them of that exclusive right. Any such effort should be viewed with instantaneous alarm and indignation.

Your attention is respectfully drawn to the effort now being made by the Securities and Exchange Commission to (a) transfer the cost of regulation of the securities business from the public to the shoulders of those who are regulated, and (b) usurp the traditional right of the Congress to levy taxes. The Commission has announced that, effective shortly, a schedule of taxes shall be levied annually against the security dealers of the country in the guise of an annual "registration fee" ranging in amount from $50 to $200,000 or more annually per dealer. This, in addition to the taxes which these dealers pay in the normal course of being American citizens.

A dealer fills out a simple form for "registration." This is placed in a filing cabinet in Washington. Thereafter, if a complaint should ever be lodged against the dealer, the Commission knows who he is and just where to find him. Beyond filing it, the Commission does absolutely no work in connection with such "registration." For such "registration" it now proposes to levy the fees mentioned above. As justification, it points to Title V of Public Law 137, 82d Congress, which authorizes government agencies and regulatory bodies to charge for *special services* rendered. This the SEC now does in the form of fees for copies of documents, etc. By some inconceivably torturous reasoning, it now seeks to include the simple act of registration, which is not a benefit sought by the security dealer, but a requirement thrust upon him, in its list of "special services"!

Consider well the implications of this act of government. The Agriculture Department may tax the farmer upon the basis of his total acreage. The Interstate Commerce Commission may tax all railway employees. The Civil Aeronautics Administration may tax all employees of the aviation industry. To make its stand even more unreasonable, the SEC proposes that while the act of registration is performed but once by the dealer, the "registration fee" or tax shall be an annual one.

The security business is the most regulated business in our country today. Once accused of harboring some scalawags, it has long since paid for its sins and become the most circumspect business in the land. For years, it has suffered just such bullying proposals as these from a Commission which twisted and distorted the securities laws to suit its own Caesar - like pronunciamentos. There must be an end somewhere and it is the hope of those in the financial community that our representatives in Washington will realize the far-reaching implications of this usurpation of their powers by a Federal agency and will voice an emphatic "No"!

We invite your support.

Very truly yours,
NORMAN F. DACEY.

Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Stephen Little is now with Paine, Webber, Jackson & Curtis, 24 Federal Street.

Two With G. H. Walker

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Paul G. Gaffney and Francis K. Wood, Jr. are now associated with G. H. Walker & Co.

Gibbs & Coe Add

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Robert J. Cashman and Albert W. Scoffield are now with Gibbs & Coe, 507 Main Street.

Davison Director

At a meeting of the Board of Directors of United States Steel Corporation, Harry P. Davison was elected a Director of the Corporation and a member of its Finance Committee, succeeding the late William A. Irvin. Mr. Davison has been a Vice-President and Director of J. P. Morgan & Co. Inc. since its incorporation in 1940.

Continued from page 12

How Can Bank Shares Be Made More Popular

tion, rightfully the property of all stockholders, is withheld by the few, those few are in a position to benefit at the expense of all stockholders.

More Information to Shareholders

Now, more than ever, banks are seeking public understanding of their problems in order to correct burdensome inequities. Beyond the obligation to deal fairly with stockholders, they are short-sighted not to issue full and frank reports. There are banks which make no disclosure, others only partial disclosure. By so doing, they are making banking vulnerable to attack, endangering all banks.

True, great progress has been achieved by many banks in improving stockholder relations. Their number is constantly growing. New confidence has been created among investors, but the fact is, the blackout continues in many banks and leaves stockholders in the dark.

In the absence of full and frank reports, markets for bank shares continue narrow and limited. Investor interest is chilled. Investment dealers say they are in no position to make representations to potential buyers. Often an investment dealer will try to lift management's iron curtain. "Sorry, we can't give you information which we haven't given to stockholders," has often been the answer. When these shares do change hands, the transaction is effected at sacrifice prices. Usually the buyer turns out to be someone familiar with the facts. The resulting climate is not a healthy one for attracting additional capital. The fact is, withdrawal is encouraged. Perhaps this may explain the alacrity with which shareholders ratify proposals for liquidation, termed these days "cash" mergers.

Let us consider other constructive opportunities to further the acceptance of bank shares among investors. How can the commodity be better tailored to meet the needs of investors?

Shares should not be too difficult to buy nor too difficult to sell. A narrow capitalization usually means high-priced shares. In contrast, moderate-priced shares have wider appeal, therefore broader markets and greater liquidity.

Banks Should Set Their Sights Low

Investors want income in the form of dividends. This they judge by comparison with other fields of investment. Investors are aware of the safety and stability of bank shares and do not expect the same returns they can get in speculative securities. However, this does not mean that banks should set their sights too low.

Dividends should be related to stockholders' equity as well as to recurring earning power. The fact is, member banks of the Federal Reserve System in 1951 paid out less than 50% of their net profits. This return was equal to 3.7% of total capital accounts, the stated equity of the stockholders. A substantial number paid more and many paid less. Bank shares are safe investments, but this is not enough. They must be profitable as well to hold investor interest.

Even today, there are bankers who regard dividends as an expense rather than as a rightful return to the owners. Dividend policy should be determined by earning power and adequacy of capital, not by personal tax considerations.

Forward - looking managements have the opportunity to enlist the strength inherent in the coordinated efforts of the various banking organizations. Much can be accomplished in this way to further the reception of bank shares in the investment world.

The principle of full disclosure and uniform accounting should be promoted among all their membership. Much has already been done in this direction. The American Bankers Association and the New York State Bankers Association have advocated a standardized form of reporting bank earnings. This has been adopted by an increasing number of banks in their published reports to stockholders. Further, these organizations, through alert and vigilant committees, have the opportunity to safeguard the interests of shareholders by timely and telling presentation of their case before those government agencies whose decisions have so often affected adversely the interests of private ownership.

The intervention by the New York State Bankers Association to delete bank shares as securities eligible for savings bank investment under the bill now pending in Albany is a disappointment to bank shareholders everywhere. They are unable to understand the basis of this action, especially at this time when new sources of capital are needed by commercial banks. I have personally questioned a number of individual bankers and have found unanimous the view that this action was unwise and harmful. The action on the bill occurred so rapidly there was little opportunity for bankers generally to register their views. The episode hurts the reception of bank shares among investors.

Conclusion

In sum, opportunities to further investor acceptance of bank shares exist, first, in management relationship with shareholders and, second, in management relationship with government. Bankers can be effective in both relationships, individually and through their organizations.

The goals include uniform and faithful reporting, more liberal dividend policies where justified, moderate-priced shares, and effective presentation of how burdensome inequities hurt bank earning power and make capital more difficult to obtain. A great deal remains to be done to further the acceptance of bank shares among investors. It is fortunate that so much has already been accomplished by progressive bankers.

Smithken Co. Formed

Lewis Smithken has formed Smithken and Company with offices at 42 Broadway, New York City to engage in the securities business. Mr. Smithken was formerly with Tellier & Co., Israel & Co., F. H. Winter & Co. and Mitchell Hoffman & Co.

Haywood, McGhee Co.

CLEVELAND, Ohio—Haywood, McGhee & Co. has been formed with offices at 2587 East 55th Street, to engage in the securities business. Norman L. McGhee is a principal of the firm.

Bernhard Fennekohl Opens

Bernard Fennekohl is engaging in a securities business from offices at 215 East 86th Street, New York City.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

You saw dullness most of last week. From the action up to this writing the chances are you'll see more of the same this week. Considering where the market is, however, dullness at this stage of the cycle is not a disturbing factor. It is what you were told to look forward to in the past two weeks. A market which has recovered its lost ground by advancing within reaching distance of previous highs, seldom has enough inner strength to hurdle old obstacles. It does one of two things, at least one of two things that would not be bearishly interpreted. It either goes into protracted dullness or it gradually backs away from the highs.

* * *

On a back-away, a reaction must not go beyond certain predetermined technical levels. In the event it does, the chances are that new weakness will follow, even though a minor rally may intercede between the two waves. During dullness the market tends to build up inner strength, usually to the accompaniment of news which at first blush is either ignored or misinterpreted. A case in point is the recently publicized steel negotiations. The steel companies claimed that if the wage rates (increase of 17½ cents per hour) go through it would cost 30 cents per man hour and therefore price increases up to $12 a ton would be asked for. Under the Capehart amendment to the 1951 Defense Production Act, the industry could get only $2 per ton increase to meet the higher wages. What the ultimate outcome of this situation will be only time will reveal. However, indications are that the industry will be granted a compensatory price increase that will permit maintenance of the current profit rate.

* * *

It is one of the reasons why the steel stocks have not declined as much as the viewing-with-alarm statements indicate. The fact that Defense Mobilizer Wilson turned down the recommendations of the Wage Stabilization Board, and new rumblings of a steel strike are being heard, may cause some disquiet among steel shareholders. However, in view of the industry's importance to the nation's defense, and the further fact that this is an election year, it appears certain that some formula will be devised that will prove acceptable to both sides of the controversy.

* * *

The market is now starting to champ at the bit. The period of dullness is about over. There may be a temporary decline, maybe a swift one, followed by a burst of strength. So guide your purchases accordingly.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

With T. J. Pringle

(Special to THE FINANCIAL CHRONICLE)

SHREVEPORT, La.—Carver W. Blanchard is now associated with T. J. Pringle Investment Co., 515 Market Street.

With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Alvin C. Appel has been added to the staff of Minneapolis Associates, Inc., Rand Tower.

Joins J. A. Lynch

(Special to THE FINANCIAL CHRONICLE)

ST. CLOUD, Minn.—William J. Hackett has joined the staff of J. A. Lynch Company, Inc., 1616 St. Germain Street.

With R. R. Underwood

(Special to THE FINANCIAL CHRONICLE)

MONROE, La. — Marvin L. Quillen has become affiliated with R. R. Underwood, 245 South Grand Street.

With Benjamin & Lang

CHICAGO, Ill. — Morton B. Lang is now with Benjamin and Lang, Incorporated, 10 South La Salle Street.

Continued from page 14

Sound Money, Arch of Freedom—Unsound Money, Tool of Tyrants!

give-away policy when he said in his play "King Henry VI":

"For how can tyrants safely govern home, unless abroad they purchase great alliance?"

Now back to my title "Sound Money the Cornerstone of Freedom." In this period of more and more government since 1933, one of the early steps was to prohibit the private ownership of gold; from then on we have seen this program of spend, and spend, and spend—and elect, and elect, and elect, and many of our freedoms have steadily and persistently evaporated. Administrative law was introduced into our economy and, in effect, we are almost a government of ukase rather than a government administering known and understood laws passed by the legislators.

The total number of government employees and their wives and children of voting age is fantastic.

The present situation seems to me to add up to the fact that the fundamental trouble is "Too Much Government," and that it takes too much money to pay the salaries and wages, office space, travel, printing and the myriad of expenses incident to the mammoth proportions of our present bureaucracy.

If my title "Sound Money the Cornerstone of Freedom" is true, the immediate start toward making our money more sound is government economy, and the way to do it is step by step, repeal law after law, steadily and persistently, and cut off the money supply by using a hatchet on the budget bureau by bureau. Thomas Jefferson hit the nail on the head when he made the following statement:

"I place economy among the first and most important virtues, and public debt as the greatest of dangers to be feared. . . . To preserve our independence, we must not let our rulers load us with perpetual debt. . . . We must make our choice between economy and liberty or profusion and servitude. . . . If we run into such debts, we must be taxed in our meat and drink, in our necessities and our comforts, in our labors and in our amusements. . . . If we can prevent the government from wasting the labors of the people, under the pretense of caring for them, they will be happy."

Think how sound the statements were of the men whom we revere. We seem to think that things can be done with safety, which have been scoffed at by the soundest men in history, not over generations, not over centuries, but over thousands of years.

Fundamental Cause of Inflation

The Patman inquiry will discuss inflation and remedies for it. Why not consider the fundamental cause of inflation, as we now use the term? What is that fundamental cause? I offer—too many people taken off production and put on the public payroll, robbing Peter to pay Paul, when the government pays pensions, subsidies, doles, supports prices by acquiring vast stores of grain, etc.—the warehouse responsibility apparently in completely incompetent hands.

I quote a portion of the Webster Dictionary definition of "Inflation":

"Disproportionate and relatively sharp and sudden increase in the quantity of money or credit, or both, relative to the amount of exchange business. Such increase may come . . . in times of business activity by expansion of credit through the banks; or, it may come in times of financial difficulty by governmental issues of paper money without adequate metallic reserve and without provisions for conversion into standard metallic money on demand. . . ."

The French assignats, the Continental currency, the Colonial currency, and the Civil War currency of the Confederacy was printed money to pay and feed the people on the respective government payrolls, because those respective governments had insufficient credit to be able to sell interest bearing securities to obtain funds to meet payrolls, etc. Obviously, this produced an inordinate amount of paper money in circulation and led to extreme inflation, and ultimate repudiation. People who use the word "inflation" as used to apply to these cases just cited seem to me to be in great error.

Prices today are based upon a combination of competition, the law of supply and demand, and in many cases, in the long run, they are governed by costs. Costs have mounted with mounting wages and salaries and taxes, and as taxes mount and as wages mount prices will mount, or else companies will make no money and get out of business. It seems to me it is just as simple as that.

The American people must come to their senses and demand economy in government. That is the first step, and the way our Congressmen and Senators can accomplish it is by regaining the power of the purse.

Must Return to Gold Standard

In due course, we must return to gold. International trade can only settle its difference between exports and imports by using gold. It is the one great common denominator. To coin paper is an absurdity, and our present paper money is just that. This is $5 coined paper. History tells us that it has always led to disaster in the long run. Paper money should be a promise to pay and should be secured with adequate collateral, but to say a dollar is a dollar simply by ukase is a monstrosity, and to give governments power to "coin" paper takes all restraint from them. If the American people continue to relinquish their power of the purse, there will be no restraint whatsoever upon the constant growth of bureaucracy.

In my humble opinion there is no middle ground between Freedom and Tyranny. Endless words have been coined—Socialism, Fascism, Communism, Naziism, etc., but I submit if people are to remain free, our original Constitution set up the framework for freedom. Various amendments have impaired our freedom, irreparably, I am afraid, if some of those amendments are not repealed.

Framers of the Constitution had that glorious idea of freedom—a Republic made up of many States, giving clear State's rights to the States. One of the great values of State's rights and the union of States is that if laws damaging to freedom are in any one State, the citizen can transfer his residence to another State. In other words, our various States are in competition with each other. If taxes are too high in one State, people move to another. Witness the number of people residing in Connecticut with their business in New York City—many for tax reasons.

Unless and until the Congress can come to its senses, and steadily and persistently reduce the new bureaus created in this 20 years of simply astounding legislation, we cannot expect to have sound money, confidence in the right to own property, and to carry on the amazing standards of living which industry has produced in this country in the past 50 years.

Continued from page 14

Needed: An Effective Anti-Inflationary Program

secret of doing anything they desired with interest rates. I said:

"This confidence is causing many to ignore the underlying conditions of demand for and supply of capital which must always be the long-run determinants of interest rates. . . . It is difficult to conceive of a more dangerous fallacy, and one more certain to cause disillusionment when the demand for capital once more becomes heavy in relation to supply. It is, of course, true that central banking authorities can influence long-term interest rates by manipulating the money market. It is equally true, however, that in a period of vigorous capital expansion such manipulation must produce inflationary results in the short-run and prove self-defeating in the long-run. The present complacent attitude has arisen as a result of a long period of subnormal capital demand, during most of which time gold was flowing on balance toward the United States. It seems highly probable to me that we shall witness a reversal of these conditions sometime during the next few years. At that time the combination of a vigorous demand for capital and a heavy outflow of gold will cause some hasty revisions in the current theories of money management."

Need for Treasury Funding Operation

At present, conditions are not nearly so favorable for a funding operation as they were five years ago, and the interest cost would be considerably greater. Although, as the Secretary of the Treasury pointed out here the other day, some progress has been made in transferring government debt from bank to non-bank holders, the need for a vigorous funding operation continues urgent.

It is a problem which will have to be faced sooner or later, regardless of cost, if we are to preserve the credit of the United States Government. Moreover, until the Federal debt structure has been placed on a thoroughly sound basis, there will always remain the danger of recurring friction between the Federal Reserve Board and the Treasury Department.

In supporting the maintenance of an independent Federal Reserve System, we by no means are making this synonymous in our thinking with isolation. As stated previously, the Federal Reserve and the Treasury should work in close liaison and sincerity. We believe that frank consultation between both groups will produce mutually desirable objectives and we are encouraged

by the degree of cooperation between the Treasury and Federal Reserve authorities that has been manifested during the past year.

Federal Reserve Should Be Supreme in Monetary Policy

At the same time, if an impasse should develop at some future date, we can find no better expression of our views as to the manner in which policy disputes should be reconciled than to quote from the recommendations of the Subcommittee of the Joint Committee on the Economic Report study in January, 1950, which stated in part:

"It is the will of Congress that the primary power and responsibility for regulating the supply, availability and cost of credit in general shall be vested in the duly constituted authorities of the Federal Reserve System, and that Treasury actions relative to money, credit, and transactions in the Federal debt shall be made consistent with the policies of the Federal Reserve."

We further subscribe to the view that the advantages of avoiding inflation are so great and that a restrictive monetary policy can contribute so much to this end that the freedom of the Federal Reserve to restrict credit and raise interest rates for general stabilization purposes should be preserved even if the cost should prove to be a significant increase in service charges on the Federal debt and a greater inconvenience to the Treasury in its sale of securities for new financing and refunding purposes.

Bankers Offer Common Stock of Celanese Unit

One million common shares of Canadian Chemical & Cellulose Co., Ltd., recently organized by Celanese Corp. of America, are being offered to the public today (March 27) at $15.50 per share. Half of the shares are being offered in the United States by a syndicate headed by Dillon, Read & Co. Inc., and half in Canada by a group headed by Nesbitt, Thomson & Co., Ltd., and Wood, Gundy & Co. Ltd.

The company, through subsidiaries, is engaging in the manufacture in Canada of pulp, chemicals, cellulose acetate and yarns. One of its subsidiaries recently completed a plant near Prince Rupert, British Columbia, for the production of high-grade wood pulp, and another is constructing a large plant at Edmonton, Alberta, for the production from liquefied petroleum gases of chemicals and acetate products.

The company will have outstanding, upon completion of the financing, 5,000,000 common shares representing cash investments and firm subscription totaling $62,250,000. Celanese Corp., through a subsidiary, owns and will continue to hold 4,000,000 of such shares at $12 per share, or an aggregate investment and subscription of $48,000,000. Proceeds of the 1,000,000 shares being offered will be used in connection with completion of the Edmonton plant and other construction. Subsidiaries of the company have sold in Canada approximately $62,000,000 of first and general mortgage bonds.

Clements Director

R. Canon Clements, Vice-President of J. Henry Schroder Banking Corp. and Schroder Trust Co., has been elected a director of The United States Time Corp., it was announced.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Hajime Mukai is now associated with Waddell & Reed, Inc.

Continued from page 5

The State of Trade and Industry

working plants from taking prudent steps to maintain operations, states this trade weekly.

Even in the face of a strike threat, consumers in civilian goods industries without substantial defense contracts have been growing increasingly inventory minded. Orders for inventory adjustment are coming from top levels.

Some tonnage on order is being canceled or deferred, and in some sectors new buying is off. The large steel producers continues "Steel," have enough tonnage booked to plug gaps generally for full schedules in the second quarter, but some of the smaller producers and premium price mills have not.

Because there has been some easing in the over-all demand for steel, Manly Fleischmann, Defense Production Administrator, announced last week that a substantial quantity of controlled materials, particularly structural steel, will be made available for new starts in the field of industrial and commercial construction in the third and fourth quarters of 1952.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 102.6% of capacity for the week beginning March 24, 1952, equivalent to 2,131,000 tons of ingots and steel for castings, or an increase of 0.2 of a point above last week's production of 2,127,000 tons, or 102.4% of rated capacity.

The latest week sets a new record for the largest amount of steel ever to be made in a week in the United States, the Institute reports.

A month ago output stood at 100.9%, or 2,096,000 tons. A year ago production stood at 103.5%, or 2,069,000 tons.

Electric Output Dips Further in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended March 22, 1952, was estimated at 7,353,977,000 kwh., according to the Edison Electric Institute.

The current total was 59,818,000 kwh. below that of the preceding week. It was 506,191,000 kwh., or 7.4% above the total output for the week ended March 24, 1951, and 1,360,915,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Show Further Declines for Week and Year

Loadings of revenue freight for the week ended March 15, 1952, totaled 708,826 cars, according to the Association of American Railroads, representing a decrease of 5,421 cars, or 0.8% below the preceding week.

The week's total represented a decrease of 36,302 cars, or 4.9% below the corresponding week a year ago, and a drop of 16,708 cars, or 2.3% below the comparable period two years ago.

U. S. Auto Output Rises in Latest Week to New High for Year

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," rose to 89,731 units, compared with the previous week's total of 86,717 (revised) units, and 136,941 units in the like week a year ago.

Passenger car production in the United States advanced last week about 3% above the previous week to a new high for the year. Output of cars last week was, however, close to 34% under the like period a year ago.

Total output for the current week was made up of 89,731 cars and 25,769 trucks built in the United States, against 86,717 cars and 25,549 trucks last week and 136,941 cars and 30,490 trucks in the comparable period a year ago.

Canadian output last week rose to 5,476 cars and 2,874 trucks, against 5,424 cars and 2,702 trucks in the preceding week and 5,381 cars and 2,141 trucks in the similar period of a year ago.

Business Failures Rise to Highest Point Since July 1951

Commercial and industrial failures rose to 181 in the week ended March 20 from 156 in the preceding week, Dun & Bradstreet, Inc., stated. At the highest level since July, 1951, casualties exceeded the 170 which occurred in the similar week of 1951 and were almost even with the 1950 total of 186. Despite this increase, failures remained far below, 48%, the prewar level in 1939 when 350 concerns succumbed.

Wholesale Food Price Index Hits New 17-Month Low

Continuing its up-and-down movement, the wholesale food price index, compiled by Dun & Bradstreet, Inc., turned lower the past week to stand $6.54 on March 18. This compared with $6.58 a week previous, and represented a new low since Nov. 7, 1950, when it was $6.52. The current index shows a drop of 9.5% from the year-ago figure of $7.23, but it is still 9.7% above the pre-Korea level of $5.96.

The index represents the sum total of the price per pound of 31 foods in general use, and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Makes Further Mild Gains the Past Week

Paced by strength in grains and cotton, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., continued its mild upward trend last week. The index closed at 303.05 on March 18, comparing with 302.21 on March 11, and with 324.67 on the corresponding date a year ago.

Leading grain markets displayed a firm tone throughout the week, largely influenced by an official forecast that cattle and hog prices would be much higher by late Summer and early Fall and announcement of a sharp upward revision of export schedules for April and May. Wheat rose despite more favorable crop conditions reported in the Great Plains area and disappointing export and domestic demand.

Contributing to the strength in wheat were decreased marketings and smaller over-all supplies remaining on March 1 compared with a year earlier.

Corn was aided by a continued sharp falling off in cash market receipts, the belief that supplies will become tighter this Summer, and reports indicating that Argentina will have very little corn for export. The upturn in rye reflected export sales to Austria and reports that Germany was also seeking United States rye. Sales of all grain futures on the Chicago Board of Trade averaged about 35,500,000 bushels per day last week, compared with 34,000,000 the previous week, and 35,000,000 in the like week a year ago.

Domestic bookings of all types of flour remained at a low level, reflecting indifference of most bakers and jobbers and reports of disappointing sales of bakery products. The export flour market continued very quiet.

Trading in cocoa was light, reflecting quiet conditions in the spot markets where prices were nominally maintained at the ceiling level of 38⅜ cents a pound. Warehouse stocks of cocoa, totalling 100,079 bags, compared with 120,198 bags at this time a year ago.

Activity in the raw sugar market tapered off last week with prices receding somewhat from the high levels of a week ago. Trading in coffee was rather quiet with prices holding near peak levels, aided by the continued tight balance in the supply-and-demand situation. Lard continued to rise in less active trading, while hog prices advanced slightly despite somewhat heavier market receipts.

Cotton developed strength as the week advanced as short covering and trade buying lifted prices to new high ground for the current move. Other supporting factors included the firmness of outside markets, a report that an allotment of $10,000,000 had been granted to Italy for the purchase of American cotton, and the estimate of February consumption by the New York Cotton Exchange Service Bureau indicating further improvement in the daily rate last month. Reported sales in the 10 spot markets increased slightly last week and totalled 103,800 bales, as against 99,000 a week earlier, and 111,300 in the corresponding week a year ago.

Trade Volume Mildly Improved the Past Week but Under Level of a Year Ago

Although shopping increased in many cities in the period on Wednesday of last week with the approach of Spring, most merchants were unable to match the high sales figures of a year ago, when Easter came three weeks earlier. An increasing number of stores remained open evenings. Aggressive promotions helped to stir the interest of many shoppers who remained quite bargain-conscious.

Total retail volume in the week was estimated by Dun & Bradstreet to be from 6 to 10% below the level of a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England, Midwest and Northwest —6 to —10; East and South —8 to —12; Southwest —5 to —9; and Pacific —3 to —7.

As clement weather came to some sections, there was a mild rise in the interest in Spring clothing, although demand was still considerably below the high level of a year earlier. Women's coats and suits in the moderate price ranges were in widened demand. More shoes were sold than in recent weeks as price cuts attracted many shoppers. The interest in men's wear remained hesitant.

Housewives bought about as much food as during the prior week and slightly more than in the comparable 1951 week. Dairy foods, many of which were recently reduced in price, were generally favored over meats.

While household goods were in slightly increased demand last week, the total volume sold was noticeably smaller than a year ago.

The most pronounced current rises were in the interest in bedding, garden supplies, decorating materials, and hardware. The sales of television sets, large appliances, and case goods remained spotty.

Buyer activity in most wholesale markets in the period ended on Wednesday of last week held close to the level of the preceding week. The total dollar volume of wholesale orders, bolstered by commitments for defense needs, did not vary markedly from the level of a year ago. Most buyers were chary of placing long-term orders as they strove to pare swollen inventories.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended March 15, 1952, decreased 11% from the like period of last year. In the preceding week a decrease of 16% was registered below the like period a year ago. For the four weeks ended March 15, 1952, sales declined 14%. For the period Jan. 1 to March 15, 1952, department store sales registered a decline of 12% below the like period of the preceding year.

As a result of Easter coming earlier last year, retail trade in New York the past week suffered by comparison and trade estimates placed the decline at 13%.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended March 15, 1952, decreased 15% below the like period of last year. In the preceding week a decrease of 18% (revised) was recorded below the similar week of 1951, while the four weeks ended March 15, 1952 a decrease of 15% was registered below the level of a year ago. For the period Jan. 1 to March 15, 1952, volume declined 15% below the like period of the preceding year.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Mar. 30	2,131,000	2,127,000	2,096,000	2,069,000
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 30	102.6	102.4	100.9	103.5
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Mar. 15	6,404,400	6,420,500	6,356,250	6,042,750
Crude runs to stills—daily average (bbls.)	Mar. 15	¶6,693,000	6,735,000	6,591,000	6,382,000
Gasoline output (bbls.)	Mar. 15	21,756,000	21,645,000	21,715,000	20,341,000
Kerosene output (bbls.)	Mar. 15	2,472,000	2,608,000	2,400,000	2,628,000
Distillate fuel oil output (bbls.)	Mar. 15	10,219,000	10,284,000	10,492,000	8,792,000
Residual fuel oil output (bbls.)	Mar. 15	8,981,000	9,219,000	9,178,000	9,473,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 15	146,165,000	144,956,000	140,921,000	141,007,000
Kerosene (bbls.) at	Mar. 15	14,941,000	15,839,000	18,654,000	13,084,000
Distillate fuel oil (bbls.) at	Mar. 15	47,972,000	49,626,000	57,272,000	44,966,000
Residual fuel oil (bbls.) at	Mar. 15	36,054,000	37,087,000	37,421,000	37,753,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 15	708,826	714,247	737,609	745,128
Revenue freight received from connections (number of cars)	Mar. 15	671,713	690,485	686,790	708,197
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 20	$250,763,000	$223,806,000	$222,118,000	$159,761,000
Private construction	Mar. 20	157,204,000	107,670,000	124,607,000	59,776,000
Public construction	Mar. 20	93,559,000	116,136,000	97,511,000	99,985,000
State and municipal	Mar. 20	71,801,000	73,907,000	59,910,000	83,330,000
Federal	Mar. 20	21,758,000	42,229,000	37,601,000	16,655,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 15	9,765,000	*9,915,000	10,595,000	9,981,000
Pennsylvania anthracite (tons)	Mar. 15	685,000	733,000	649,000	412,000
Beehive coke (tons)	Mar. 15	139,000	*144,900	141,900	149,300
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Mar. 15	261	*254	257	292
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 22	7,353,977	7,413,795	7,460,763	6,847,786
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Mar. 20	181	156	177	170
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 18	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	Mar. 18	$52.72	$52.72	$52.72	$52.69
Scrap steel (per gross ton)	Mar. 18	$42.00	$42.00	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 19	24.200c	24.200c	24.200c	24.200c
Export refinery at	Mar. 19	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Mar. 19	121.500c	121.500c	121.500c	134.000c
Lead (New York) at	Mar. 19	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at	Mar. 19	18.800c	18.800c	18.800c	16.800c
Zinc (East St. Louis) at	Mar. 19	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 25	96.97	96.70	96.80	99.52
Average corporate	Mar. 25	109.79	109.60	109.79	113.31
Aaa	Mar. 25	113.89	113.70	114.27	116.80
Aa	Mar. 25	112.75	112.56	112.75	116.22
A	Mar. 25	108.88	108.70	108.88	112.37
Baa	Mar. 25	104.14	104.14	103.64	108.52
Railroad Group	Mar. 25	106.74	106.74	106.21	110.52
Public Utilities Group	Mar. 25	109.42	109.24	109.42	113.31
Industrials Group	Mar. 25	113.50	113.31	113.70	116.41
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 25	2.71	2.72	2.71	2.53
Average corporate	Mar. 25	3.18	3.19	3.18	2.99
Aaa	Mar. 26	2.96	2.97	2.94	2.81
Aa	Mar. 25	3.02	3.03	3.02	2.84
A	Mar. 25	3.23	3.24	3.23	3.04
Baa	Mar. 25	3.50	3.50	3.53	3.25
Railroad Group	Mar. 25	3.35	3.35	3.38	3.14
Public Utilities Group	Mar. 25	3.20	3.21	3.20	2.99
Industrials Group	Mar. 25	2.98	2.99	2.97	2.83
MOODY'S COMMODITY INDEX	Mar. 25	437.9	436.6	436.9	528.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 15	183,464	282,301	170,485	245,852
Production (tons)	Mar. 15	205,407	205,178	214,477	250,490
Percentage of activity	Mar. 15	85	86	87	106
Unfilled orders (tons) at end of period	Mar. 15	409,339	432,507	396,837	751,036
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Mar. 21	140.6	141.7	144.1	154.5
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Mar. 8	30,995	30,320	34,010	33,189
Number of shares	Mar. 8	863,650	832,412	958,859	958,212
Dollar value	Mar. 8	$41,129,188	$39,952,157	$43,568,177	$41,738,785
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Mar. 8	24,617	23,237	26,490	30,559
Customers' short sales	Mar. 8	185	210	187	340
Customers' other sales	Mar. 8	24,432	23,027	26,303	30,219
Number of shares—Total sales	Mar. 8	690,205	644,721	737,406	840,359
Customers' short sales	Mar. 8	6,279	7,668	7,817	12,418
Customers' other sales	Mar. 8	683,926	637,053	729,589	827,941
Dollar value	Mar. 8	$29,198,097	$27,441,990	$31,373,509	$34,100,807
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 8	179,850	170,230	195,180	260,730
Short sales	Mar. 8	------	------	------	------
Other sales	Mar. 8	179,850	170,230	195,180	260,730
Round-lot purchases by dealers—					
Number of shares	Mar. 8	401,230	372,190	413,740	355,510
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES)					
Total Round-lot sales—					
Short sales	Mar. 1	271,710	246,480	348,630	376,130
Other sales	Mar. 1	6,233,920	6,699,130	9,212,610	9,201,240
Total sales	Mar. 1	6,505,630	6,945,610	9,561,240	9,577,370
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT FOR THE ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which they are registered					
Total purchases	Mar. 1	651,690	710,880	1,034,970	933,610
Short sales	Mar. 1	137,560	123,170	194,520	182,340
Other sales	Mar. 1	520,140	616,100	866,030	686,970
Total sales	Mar. 1	657,700	*739,270	1,060,550	869,310
Other transactions initiated on the floor—					
Total purchases	Mar. 1	125,400	165,840	244,760	280,020
Short sales	Mar. 1	14,400	13,040	11,100	15,300
Other sales	Mar. 1	131,360	170,940	240,610	255,320
Total sales	Mar. 1	145,760	183,980	251,710	270,620
Other transactions initiated off the floor—					
Total purchases	Mar. 1	301,945	282,634	419,972	371,604
Short sales	Mar. 1	35,750	22,620	47,690	52,220
Other sales	Mar. 1	327,611	340,795	414,007	450,430
Total sales	Mar. 1	363,361	363,415	461,697	502,650
Total round-lot transactions for account of members—					
Total purchases	Mar. 1	1,079,035	1,159,354	1,699,702	1,585,234
Short sales	Mar. 1	187,710	158,830	253,310	249,860
Other sales	Mar. 1	979,111	1,127,835	1,520,647	1,392,720
Total sales	Mar. 1	1,166,821	1,286,665	1,773,957	1,642,580
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49=100):					
Commodity Group:					
All commodities	Mar. 18	111.8	111.4	------	------
Farm products	Mar. 18	108.1	107.1	------	------
Processed foods	Mar. 18	109.3	111.4	------	------
Meats	Mar. 18	112.6	112.7	------	------
All commodities other than farm and foods	Mar. 18	113.2	112.3	------	------

*Revised. ‡Not available. ¶Includes 500,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK — As of February 29:			
Imports	$234,441,000	$234,915,000	$303,996,000
Exports	134,818,000	135,100,000	99,269,000
Domestic shipments	8,317,000	7,590,000	13,292,000
Domestic warehouse credits	37,360,000	44,509,000	23,073,000
Dollar exchange	27,106,000	22,645,000	1,877,000
Based on goods stored and shipped between foreign countries	51,388,000	47,579,000	28,727,000
Total	$493,430,000	$492,338,000	$470,234,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of February:			
New England	$14,980,048	$16,600,425	$28,635,975
Middle Atlantic	62,305,102	44,485,198	54,938,333
South Atlantic	33,068,865	28,998,528	42,372,682
East Central	55,469,560	46,156,306	46,473,404
South Central	58,966,245	55,170,459	59,139,485
West Central	22,555,473	13,764,535	14,176,924
Mountain	10,372,331	10,732,864	12,495,823
Pacific	55,437,055	43,384,750	69,009,112
Total United States	$313,154,679	$259,293,065	$327,241,738
New York City	33,765,418	24,712,989	24,348,571
Outside of New York City	279,389,261	234,580,076	302,893,167
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of February:			
Manufacturing number	133	143	107
Wholesale number	60	62	69
Retail number	304	348	304
Construction number	70	68	60
Commercial service number	52	50	59
Total number	619	671	599
Manufacturing liabilities	$5,614,000	$8,365,000	$6,134,000
Wholesale liabilities	3,728,000	3,161,000	1,891,000
Retail liabilities	6,548,000	7,761,000	4,357,000
Construction liabilities	1,935,000	2,672,000	2,228,000
Commercial service liabilities	1,649,000	4,249,000	1,399,000
Total liabilities	$19,474,000	$26,208,000	$16,009,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of February 29 (000's omitted)	$517,000	$480,000	$369,000
CONSUMER PURCHASES OF COMMODITIES — DUN & BRADSTREET, INC. (1935-1939=100)—Month of February	321.6	*324.5	329.0
COTTON GINNING (DEPT. OF COMMERCE) Running bales as of March 20	15,050,262	------	9,907,918
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of Feb. (000's omitted):			
Ordinary	$1,487,000	$1,466,000	$1,291,000
Industrial	454,000	382,000	424,000
Group	238,000	183,000	572,000
Total	$2,179,000	$2,031,000	$2,287,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of January (in billions):			
Total personal income	$257.3	*$258.6	$243.6
Wage and salary receipts, total	175.6	*175.4	158.0
Total employer disbursements	171.9	*171.9	161.6
Commodity producing industries	76.5	*76.8	71.7
Distributing industries	46.7	*46.5	44.3
Service industries	20.7	*20.7	19.9
Government	31.7	31.4	25.7
Less employee contributions for social insurance	4.1	*3.5	3.6
Other labor income	3.9	3.9	3.7
Proprietors and rental income	49.6	*49.8	50.5
Personal interest income and dividends	19.4	*20.7	18.8
Total transfer payments	12.9	12.3	12.6
Total nonagricultural income	235.5	*235.9	221.4
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — August, 1909-July, 1914=100—As of January 15:			
Unadjusted—			
All farm products	300	305	313
Crops	277	280	293
Food grain	251	253	254
Feed grain and hay	234	233	222
Tobacco	431	440	440
Cotton	325	339	351
Fruit	171	177	204
Truck crops	337	331	333
Oil-bearing crops	303	309	379
Livestock and products	320	328	340
Meat animals	376	379	425
Dairy products	316	314	285
Poultry and eggs	200	233	205
PROSPECTIVE PLANTING FOR 1949 — U. S. CROP REPORTING BOARD — ACREAGES IN THOUSANDS — As of March 1:			
Corn, all	83,928	------	83,866
All spring wheat	21,998	------	22,257
Durum	2,344	------	2,586
Other spring	19,654	------	19,671
Oats	42,818	------	41,594
Barley	9,752	------	10,840
Flaxseed	3,935	------	4,114
Rice	1,971	------	1,981
Sorghums for all purposes	13,442	------	15,113
Potatoes	1,373	------	1,379
Sweetpotatoes	334	------	316
Tobacco	1,804	------	1,782
Beans, dry edible	1,414	------	1,523
Peas, dry field	267	------	323
Soybeans	15,457	------	14,838
Peanuts	2,158	------	2,593
Hay	75,380	------	74,718
Sugar beets	747	------	759
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of December:			
Net railway operating income	$135,158,155	$95,008,469	$114,068,309
Other income	72,506,291	16,904,528	58,854,146
Total income	207,664,446	111,912,997	172,922,455
Miscellaneous deductions from income	6,165,759	4,543,891	5,494,938
Income available for fixed charges	201,498,687	107,369,106	167,427,517
Income after fixed charges	162,819,872	70,864,515	131,496,151
Other deductions	12,158,451	2,806,294	11,282,150
Net income	150,661,421	68,058,221	120,214,001
Depreciation (way & structures & equip.)	43,071,880	38,110,553	36,962,526
Amortization of defense projects	d 40,209,947	5,585,978	2,797,564
Federal income taxes	50,783,861	66,204,686	103,793,271
Dividend appropriations:			
On common stock	22,343,617	54,684,807	22,556,246
On preferred stock	6,077,899	7,894,884	7,434,837
Ratio of income to fixed charges	5.21	2.94	4.66

*Revised figure. d Reverse item.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Alabama Power Co. (4/22)
March 21 filed $12,000,000 first mortgage bonds due 1982. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Lehman Brothers; The First Boston Corp.; Blyth & Co., Inc.; Union Securities Corp.; Equitable Securities Corp. and Drexel & Co. (jointly); Shields & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc. **Bids**—To be received up to 11 a.m. (EST) on April 22 at office of Southern Services, Inc., 20 Pine Street, New York 5, N. Y.

Allied Kid Co., Boston, Mass. (3/31)
March 11 filed 25,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To Estate of F. M. Agoos. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass.

American Fire & Casualty Co., Orlando, Fla.
Dec. 19 (letter of notification) 11,100 shares of common stock (par $10). **Price** — $27 per share. **Underwriter** — Guardian Credit Corp., Orlando, Fla. **Proceed** — For purchase of securities. **Office** — American Building, Orlando, Fla.

Belle Isle Corp., New York
March 17 (letter of notification) 4,400 shares of capital stock (par 20 cents). **Price**—At market (estimated at $3.25 per share). **Proceeds**—To Austin Agnew (Sec. and Treas.), who is the selling stockholder. **Office**—52 Wall St., New York 5, N. Y. **Underwriter**—Tucker, Anthony & Co., New York.

★ Bingham-Herbrand Corp. (4/8)
March 19 filed $2,000,000 convertible debentures due April 1, 1964. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term loans, and for other corporate programs. **Underwriters**—Straus, Blosser & McDowell, Chicago, Ill.

Bowman Gum, Inc.
Jan. 28 (letter of notification) 15,000 shares of common stock. **Price** — At market. **Proceeds** — To Harry and David V. Shapiro. **Office**—4865 Stenton Avenue, Philadelphia, Pa. **Underwriter**—Paine Webber, Jackson & Curtis, Philadelphia, Pa.

Bridgeport (Conn.) Hydraulic Co.
Feb. 13 filed 44,000 shares of common stock (par $20) being offered to common stockholders of record March 7 at rate of one share for each nine shares held; rights to expire on March 28. **Price**—$26 per share. **Proceeds**—To repay bank loans and to finance improvements and additions to property. **Business**—Distribution and sale of water. **Underwriters**—Smith, Ramsay & Co., Inc., and Hincks Bros. & Co., of Bridgeport, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and T. L. Watson & Co., New York, N. Y. Statement effective March 10.

★ Bureau of National Affairs, Inc., Washington, D. C.
March 14 (letter of notification) 500 shares of common stock (no par), to be offered for subscription by employees. **Price**—$23 per share. **Proceeds**—To meet current operating expenses. **Office**—1231 24th Street, N. W., Washington, D. C. **Underwriter**—None.

● Canadian Fund, Inc. (Md.) 4/7-12)
March 13 filed 800,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Business**—Closed-end investment company. **Underwriters**—Kidder, Peabody & Co. and Dominick & Dominick, New York.

Cardiff Fluorite Mines, Ltd., Toronto, Canada
Feb. 21 filed 675,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For development expenses and general corporate purposes. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

★ Carpenter (L. E.) & Co., Wharton, N. J.
March 20 (letter of notification) 5,000 shares of common stock (par $1). **Price**—At the market. **Proceeds**—To Jerome L. Long, the selling stockholder. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Central Airlines, Inc.
Feb. 21 (letter of notification) 2,000 shares of common stock (par $1) and 500 shares of 5% cumulative preferred stock (par $100). **Price**—At par. **Proceeds**—For equipment and operating requirements. **Office** — 6109 Camp Bowie Blvd., Fort Worth, Tex. **Underwriter**—None.

Central Louisiana Electric Co., Inc.
Feb. 13 filed 53,616 shares of common stock (par $10) being offered for subscription by common stockholders of record Feb. 25 at rate of one share for each seven shares held; rights to expire on March 31. Of unsubscribed shares, a maximum of 5,000 shares to be offered employees and a maximum of 10,000 shares to other persons in Louisiana. **Price**—$29.50 per share. **Proceeds**—From sale of stock, together with $3,000,000 from private sale of debentures. To repay bank loans and for new construction. **Underwriter**—None. Statement effective March 3.

★ Central Oklahoma Oil Corp.
March 19 (letter of notification) 50,000 shares of common stock (par 10 cents). **Price**—At market (approximately $2 per share). **Proceeds**—To A. M. Metz, the selling stockholder. **Office** — Braniff Bldg., Oklahoma City, Okla. **Underwriter**—Israel & Co., New York.

★ Cerro de Pasco Copper Corp.
March 19 (letter of notification) 2,687 shares of capital stock (par $5). **Price**—At market (estimated at $46.37½ per share). **Proceeds**—To stockholders whose holdings as of March 14 were not divisible by 20. **Underwriter**—Hornblower & Weeks, New York.

Colorado Central Power Co.
March 7 (letter of notification) 17,306 shares of common stock (par $1) being offered for subscription by common stockholders of record March 5 at rate of one new share for each 11 shares held; rights will expire on April 7. Unsubscribed shares to be offered to employees (up to 1,500 shares). **Price**—$15.75 per share. **Proceeds**—For new construction. **Office**—3470 South Broadway, Englewood, Colo. **Underwriter**—None.

Colorado Interstate Gas Co. (4/1)
March 12 filed 971,480 shares of common stock (par $5), of which 966,000 shares will be offered publicly and 5,480 shares to officers and key employees. **Price**—To public to be supplied by amendment; to employees, $10.95 per share. **Proceeds**—To selling stockholders. **Underwriter**—Union Securities Corp.; The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane, all of New York.

★ Columbia Gas System, Inc. (4/15)
March 19 filed $60,000,000 of debentures, series C, due 1977. **Proceeds**—To repay $20,000,000 of bank loans and for 1952 construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—To be opened at 11:30 a.m. (EST) on April 15.

★ Commercial Finance Co., Inc., Mt. Rainier, Md.
March 21 (letter of notification) 8,000 shares of common stock (par $1) and 8,000 shares of preferred stock (par $25) to be offered in units of four shares of preferred and four shares of common stock. **Price**—$120 per unit. **Proceeds** — For working capital. **Office** — 3201 Rhode Island Ave., Mt. Rainier, Md. **Underwriter**—None.

★ Composite Bond & Stock Fund, Inc., Spokane, Wash.
March 21 filed 180,000 shares of capital stock. **Price**—At market. **Proceeds** — For investment. **Underwriter** — None.

★ Consolidated Industries, Inc., Salt Lake City, Utah
March 17 (letter of notification) 200,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For construction of sulphuric acid, fertilizer and wood sugar plants. **Office**—174 North Main Street, Salt Lake City, Utah. **Underwriter**—None.

Consolidated Underwriters Investment Corp.
Feb. 18 filed 40,000 shares of class A common stock. Price—At par ($10 per share, with an underwriter fee of $1.50). Proceeds—For investment. Underwriters—A. C. Decker, Jr., President and Treasurer of corporation; F. D. Keith, Vice-President; and S. O. Ryan.

Consumers Power Co. (4/9)
March 18 filed $25,000,000 of first mortgage bonds due 1987. **Proceeds**—Together with other available funds, to finance $53,000,000 construction program for 1952. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp. and Harriman Ripley & Co., Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly). **Bids**—Expected to be opened at 11 a.m. (EST) on April 9.

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NEW ISSUE CALENDAR

March 27, 1952
Reading Co. ____ **Equip. Trust Ctfs.**
(Bids noon EST)
Western Pacific RR. Co. ____ **Common**
(Bids 3:30 p.m. EST)

March 31, 1952
Allied Kid Co. ____ **Common**
(Paine, Webber, Jackson & Curtis)
Doman Helicopters, Inc. ____ **Common**
(Offering to stockholders—Cohu & Co.)
Mountain States Tel. & Tel. Co. ____ **Common**
(Offering to stockholders. No underwriting)
Texas Power & Light Co. ____ **Bonds**
(Bids 11:30 a.m. EST)

April 1, 1952
Colorado Interstate Gas Co. ____ **Common**
(Union Securities Corp. and others)
Deerpark Packing Co. ____ **Common**
(Northeastern Securities Co.)
Erie RR. ____ **Equip. Trust Ctfs.**
(Bids noon EST)
Hex Foods, Inc. ____ **Common**
(Prugh-Combest & Land, Inc.)
Liberty Loan Corp. ____ **Preferred**
(Riter & Co.)
Portland General Electric Co. ____ **Common**
(Blyth & Co., Inc.)
San Diego Gas & Electric Co. ____ **Bonds**
(Bids to be invited)
Solar Aircraft Co. ____ **Common**
(Smith, Barney & Co. and Wm. R. Staats & Co.)
Tung-Sol Electric, Inc. ____ **Preferred**
(Harriman Ripley & Co., Inc.)
West Penn Power Co. ____ **Bonds**
(Bids 11 a.m. EST)

April 2, 1952
Interstate Power Co. ____ **Bonds & Common**
(Bids 11:30 a.m. EST)
Pittsburgh & Lake Erie RR. ____ **Equip. Trust Ctfs.**
(Bids noon EST)

April 3, 1952
Pittsburgh Plate Glass Co. ____ **Debentures**
(The First Boston Corp.)

April 4, 1952
Wisconsin Power & Light Co. ____ **Pfd. & Common**
(Smith, Barney & Co. and Robert W. Baird & Co., Inc.)

April 7, 1952
Canadian Fund, Inc. ____ **Common**
(Kidder, Peabody & Co. and Dominick & Dominick)
Great Western Petroleum Co. ____ **Common**
(Steele & Co.)
Minnesota Mining & Mfg. Co. ____ **Common**
(Goldman, Sachs & Co. and others)
Western Air Lines, Inc. ____ **Common**
(Blyth & Co., Inc.)

April 8, 1952
Bingham-Herbrand Corp. ____ **Debentures**
(Straus, Blosser & McDowell)
Illinois Bell Telephone Co. ____ **Bonds**
(Bids 11:30 a.m. EST)

April 9, 1952
Chicago & North Western Ry. ____ **Equip. Tr. Ctfs.**
(Bids to be invited)
Consumers Power Co. ____ **Bonds**
(Bids 11 a.m. EST)
Minneapolis-Honeywell Regulator Co. ____ **Debs.**
(Union Securities Corp.)
New Brunswick (Province of) ____ **Debentures**
(Halsey, Stuart & Co.)

April 10, 1952
Indianapolis Power & Light Co. ____ **Common**
(Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp.)
Merritt-Chapman & Scott Corp. ____ **Common**
(Offering to stockholders)

April 14, 1952
Hoberg Paper Mills, Inc. ____ **Preferred**
(Robert W. Baird & Co., Inc.)
Metal Hydrides, Inc. ____ **Common**
(D. A. Lomasney & Co.)
Tennessee Production Co. ____ **Common**
(Stone & Webster Securities Corp. and White, Weld & Co.)

April 15, 1952
Columbia Gas System, Inc. ____ **Debentures**
(Bids 11:30 a.m. EST)
Cornell-Dubilier Electric Corp. ____ **Debentures**
(Kidder, Peabody & Co.)
Daitch Crystal Dairies, Inc. ____ **Common**
(Hirsch & Co.)
Southern California Edison Co. ____ **Common**
(First Boston Corp. and Harris, Hall & Co. Inc.)
Wisconsin Power & Light Co. ____ **Bonds**
(Bids to be invited)

April 16, 1952
Ralston Purina Co. ____ **Debentures**
(Kidder, Peabody & Co. and Goldman, Sachs & Co.)

April 22, 1952
Alabama Power Co. ____ **Bonds**
(Bids 11 a.m. EST)
American Automobile Insurance Co. ____ **Common**
(Offering to stockholders—The First Boston Corp.)
Gulf States Utilities Co. ____ **Common**
(Bids 11 a.m. EST)

April 23, 1952
Rochester Telephone Corp. ____ **Preferred**
(First Boston Corp.)

April 30, 1952
First National Bank of Portland ____ **Common**
(Offering to stockholders—not underwritten)

May 6, 1952
Texas Electric Service Co. ____ **Bonds & Debs.**
(Bids 11:30 a.m. EST)

May 20, 1952
National Fuel Gas Co. ____ **Debentures**
(Bids to be invited)

June 9, 1952
Kansas Gas & Electric Co. ____ **Bonds & Stock**
(Bids to be invited)

June 24, 1952
Gulf Power Co. ____ **Bonds**
(Bids to be invited)

July 8, 1952
Georgia Power Co. ____ **Bonds**
(Bids to be invited)

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Continental Royalty Co., Dallas, Tex.
March 18 (letter of notification) 120,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—To purchase royalties and mineral deeds, oil and gas. **Office**—740 Wilson Building, Dallas Texas. **Underwriter**—None.

Cornell-Dubilier Electric Corp. (4/15)
March 26 filed $4,000,000 of 20-year sinking fund debentures. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for working capital. **Underwriter**—Kidder, Peabody & Co., New York.

Daitch Crystal Dairies, Inc. (4/15)
Jan. 31 filed 147,000 shares of common stock (par $1), of which 125,000 shares will be offered by company and 22,000 shares by present stockholders. **Price**—To be supplied by amendment. **Proceeds** — To open additional supermarkets. **Underwriter**—Hirsch & Co., New York. **Offering**—Now expected about the middle of April.

Dallas Power & Light Co.
March 19 (letter of ontification) 188 shares of common stock (no par) and subscription warrants to purchase the said shares. **Price**—$100 per share. **Proceeds**—For new construction. **Office**—1506 Commerce Street, Dallas 1, Texas. **Underwriter**—None.

Dayton Power & Light Co., Dayton, O.
March 18 filed 50,000 shares of common stock (par $7), to be reserved under the company's employees' stock plan. **Underwriter**—None.

★ **Deerpark Packing Co., Port Jervis, N. Y. (4/1)**
March 21 (letter of notification) 235,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay RFC loan of $41,050 and for working capital. **Underwriter**—Northeastern Securities Co., New York.

Detroit Steel Corp.
Feb. 5 filed $25,000,000 of 4⅞% first mortgage bonds due March 1, 1967. **Price** — To be supplied by amendment. **Proceeds**—To retire $13,950,000 of presently outstanding first mortgage bonds and for expansion program. **Underwriters**—Halsey, Stuart & Co. Inc. of Chicago and New York; Van Alstyne, Noel & Co., New York; and Crowell, Weedon & Co., Los Angeles, Calif. **Offering**—Postponed temporarily.

Detroit Steel Corp.
Feb. 5 filed 600,000 shares of $1.50 convertible preferred stock (par $25). **Price**—To be filed by amendment. **Proceeds**—For expansion program. **Underwriters**—Van Alstyne, Noel & Co., New York, and Crowell, Weedon & Co., Los Angeles, Calif. **Offering**—Postponed temporarily.

Diesel Power Corp., Pittsburgh, Pa.
Jan. 10 filed 475,000 shares of common stock to be offered first to holders of preferential rights for a limited time. **Price** — At par ($1 per share). **Underwriter** — Graham & Co., Pittsburgh, Pa. **Proceeds**—For development costs and working capital.

★ **Doman Helicopters, Inc. (3/31)**
March 24 (amendment to letter of notification) 75,000 shares of common stock (par $1) to be first offered for subscription by common stockholders of record March 27 on a prorata basis, rights to expire April 11; unsubscribed shares to be publicly offered on April 14. **Price**—$4 per share. **Proceeds**—For working capital. **Underwriter**—Cohu & Co., New York.

★ **Electric Products Co., Cleveland, O.**
March 21 (letter of notification) 6,000 shares of preferred stock. **Price**—At par ($50 per share). **Proceeds**—To reduce bank indebtedness. **Office**—1725 Clarkstone Road, Cleveland 12, Ohio. **Underwriter**—None.

★ **Elfun Trusts, New York**
March 25 filed 100,000 units of trustees' certificates. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ **Elkhorn Mining Co., Boulder, Mont.**
March 19 (letter of notification) 50,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration costs. **Office**—Boulder Bank Bldg., Boulder, Mont. **Underwriter**—None.

Fenimore Iron Mines, Ltd., Toronto, Canada
Jan. 25 filed 4,007,584 shares of common stock (par $1) and 2,003,792 common stock purchase warrants of which 2,003,792 shares are to be offered to present common stockholders at 75 cents per share (Canadian funds) on a basis of one new share for each two shares held. Subscribers will receive, for each share subscribed, a warrant to purchase one additional share at $1.25 (Canadian funds) per share until June 1, 1953, or an additional 2,003,792 shares. Unsubscribed shares will be offered by the company at the same price and carrying the same warrants. **Proceeds**—To finance drilling program. **Underwriter**—None. Statement effective March 10.

★ **Flathead Petroleum Co., Monroe, Wash.**
March 21 filed 600,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds** — For equipment and drilling purposes. **Underwriter**—None.

Forbes & Wallace, Inc., Springfield, Mass.
Feb. 5 (letter of notification) 700 shares of class B common stock (no par). **Price**—$20 per share. **Proceeds**—To R. W. Demarest, the selling stockholder. **Underwriters**—Tifft Brothers, Springfield, Mass.; and F. S. Moseley & Co., Inc., Boston, Mass.

Fox (Peter) Brewing Co., Chicago, Ill.
March 14 (letter of notification) 2,000 shares of common stock (par $1.25). **Price**—At market (approximately $10 per share). **Proceeds**—To W. J. Fox, the selling stockholder. **Underwriter**—Langill & Co., Chicago, Ill.

★ **Frantzhurst Rainbow Lakes Co.**
March 19 (letter of notification) 140,000 shares of capital stock. **Price**—$1 per share. **Proceeds**—To build lakes and buildings and stock lakes with fish. **Office** — 328 N. Nevada Ave., Colorado Springs, Colo. **Underwriter**—None.

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—George F. Breen, New York. **Proceeds**—For drilling expenses, repayment of advances and working capital. **Offering**—Date not set.

Great Western Petroleum Co. (4/7)
Feb. 25 (letter of notification) 299,900 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To drill wells. **Office**—328 Empire Bldg., Denver 2, Colo. **Underwriter**—Steele & Co., New York.

Gulf Insurance Co., Dallas, Tex.
Jan. 21 (letter of notification) 5,000 shares of common stock (par $10) to be offered for subscription by common stockholders at rate of one share for each 34 shares held; unsubscribed shares to be offered publicly. **Price**—$45 per share. **Proceeds** — For capital and surplus funds. **Address**—P. O. Box 1771, Dallas, Texas. **Underwriter**—None.

★ **Gulf States Utilities Co., Beaumont, Tex. (4-22)**
March 19 filed 300,000 shares of common stock (no par). **Proceeds**—For new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Blyth & Co., Inc. **Bids**—Tentatively expected at 11 a.m. (EST) on April 22.

Hammond Bag & Paper Co., Wellsburg, W. Va.
Feb. 15 (letter of notification) 10,000 shares of common stock to be offered to stockholders. **Price**—At par ($20 per share). **Proceeds**—For working capital. **Underwriter**—None.

Hecla Mining Co., Wallace, Ida.
Jan. 17 (letter of notification) 3,000 shares of capital stock (par 25 cents). **Price**—At market (approximately $18 per share). **Proceeds**—To Mrs. M. K. Pollard, the selling stockholder. **Underwriter**—Thomson & McKinnon, New York.

Hex Foods, Inc., Kansas City, Mo. (4/1)
March 14 (letter of notification) 2,500 shares of common stock (no par). **Price**—$20 per share. **Proceeds**—To F. T. Hoeck, the selling stockholder. **Underwriter**—Prugh-Combest & Land, Inc., Kansas City, Mo.

★ **Hoberg Paper Mills, Inc., Green Bay, Wis. (4/14)**
March 25 filed 80,000 shares of 5½% convertible preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Robert W. Baird & Co., Inc., Milwaukee, Wis.

Hurt (Joel) & Co., Atlanta, Ga.
March 6 (letter of notification) 3,750 shares of common stock (par $10) and $187,500 of subordinated convertible 10-year debenture notes to be offered in units of two shares of stock and $100 of notes. **Price**—$120 per unit. **Proceeds**—For working capital. **Office**—101 Marietta Street, N. W., Atlanta, Ga. **Underwriter**—None.

● **Illinois Bell Telephone Co. (4/8)**
March 7 filed $25,000,000 of first mortgage bonds, series C, due April 1, 1984 (company also plans to offer 682,454 shares of capital stock to stockholders for subscription on or before July 1, 1952, at par, $100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., which owns 99.31% of Illinois Bell outstanding stock. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Morgan Stanley & Co.; Glore, Forgan & Co. and Union Securities Corp. (jointly); Kuhn,Loeb & Co.; White, Weld & Co.; First Boston Corp.; Shields & Co. **Bids**—Expected at 11:30 a.m. (EST) on April 8.

Independent Plow, Inc., Neodesha, Kan.
Feb. 15 (letter of notification) 120,000 shares of common stock (par 25 cents) being offered to stockholders of record about March 13 or 14; rights to expire 14 days thereafter. **Price**—$2.50 per share. **Proceeds**—For working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

● **Indianapolis Power & Light Co. (4/10)**
March 19 filed 196,580 shares of common stock (no par), to be offered for subscription by common stockholders of record April 10 at the rate of one share for each seven shares held (with an oversubscription privilege); rights to expire April 24. **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp., all of New York.

Inland Oil Co. (Nev.), Newark, N. J.
Feb. 26 (letter of notification) 599,700 shares of class A common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For drilling and equipping well and for working capital. **Office**—11 Commerce St., Newark, N. J. **Underwriter**—Weber-Millican Co., New York.

International Technical Aero Services, Inc.
Feb. 15 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—International Terminal, Washington National Airport, Washington, D. C. **Underwriter**—James T. DeWitt & Co., Washington, D. C.

Interstate Power Co. (4/2)
March 3 filed 345,833 shares of common stock (par $3.50) to be offered for subscription by common stockholders of record April 4 on basis of one share for each six shares then held (with an oversubscription privilege). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Smith, Barney & Co.; Harriman Ripley & Co. Inc. **Bids**—Tentatively scheduled to be received at 11.30 a.m. (EST) on April 2.

Interstate Power Co., Dubuque, Iowa (4/2)
March 3 filed $2,000,000 of first mortgage bonds, due 1982. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart Co., Inc.; White White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beans; Smith, Barney & Co.; Salomon Bros. & Hutzler. **Bids**—Tentatively scheduled to be received at 11:30 a.m. (EST) on April 2.

★ **Investment Co. of America, Los Angeles, Calif.**
March 26 filed 1,500,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ **Investors Syndicate of America, Inc.**
March 21 filed $12,000,000 series 10 certificates, $65,000,000 series 15 certificates, $90,000,000 series 20 certificates and $2,247,000 single payment certificates.

★ **Jamaica Water Supply Co.**
March 19 (letter of notification) 4,210 shares of common stock (no par). **Price**—$23.75 per share. **Proceeds**—To reimburse treasury for capital expenditures. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Now being made.

★ **Jersey Yukon Mines Ltd., Toronto, Canada**
March 20 filed 200,000 shares of common stock (par $1). **Price**—$1 per share (Canadian funds). **Proceeds**—For capital payments on property account and option agreements, purchase of machinery and operating expenses. **Underwriter**—None.

Johnston Adding Machine Co., Carson City, Nev.
March 5 (letter of notification) 150,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To purchase tools and materials and office equipment. **Underwriter**—None.

Junction City (Kansas) Telephone Co.
Feb. 29 (letter of notification) $294,000 of first mortgage 4½% bonds, series A, due Feb. 1, 1977 (in denominations of $1,000 each). **Proceeds**—To retire bank loans. **Underwriter**—Wachob-Bender Corp., Omaha, Neb.

Kansas-Colorado Utilities, Inc., Lamar, Colo.
March 14 (letter of notification) 5,866 shares of common stock. **Price**—$12.75 per share. **Proceeds**—To Sullivan-Brooks Co., Inc., the selling stockholder. **Office**—112 West Elm St., Lamar, Colo. **Underwriter** — Sullivan-Brooks Co., Inc., Wichita, Kan.

★ **Langendorf United Bakeries, Inc.**
March 20 (letter of notification) 15,000 shares of common stock (par $1), to be offered to executives and key employees. **Price**—At approximately $18.05 per share. **Proceeds**—For working capital. **Office**—1160 McAllister Street, San Francisco 15, Calif. **Underwriter**—None.

★ **Lapaco Chemicals, Inc., Lansing, Mich.**
March 18 (letter of notification) 200,787 convertible notes (each note convertible into $1 par class B stock). **Price**—90 cents each. **Proceeds** — For working capital and investment. **Office**—1800 Glenrose Ave., Lansing 2, Mich. **Underwriter**—None.

★ **Lewis (John H.) Fund, Inc., N. Y.**
March 19 filed 100,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Lewis Management Co., Inc., New York.

Liberty Loan Corp., Chicago, Ill. (4/1)
March 13 filed 115,000 shares of cumulative preferred stock, 1952 convertible series (par $10). **Price**—To be supplied by amendment (expected at about $15 per share). **Proceeds**—For working capital. **Underwriter**—Riter & Co., New York and Chicago.

Lindemann (A. J.) & Hoverson Co.
Nov. 28 filed 112,500 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Sills, Fairman & Harris, Inc., Chicago, Ill. **Proceeds**—To eight selling stockholders. **Offering**—Date indefinite.

Loch-Lynn Gas Corp. (N. J.)
March 5 (letter of notification) 1,000 shares of common stock (par $1). **Price**—$100 per share. **Proceeds**—For working capital. **Office**—15 Exchange Place, Jersey City 2, N. J. **Underwriter**—None.

● **Marshall Field & Co., Chicago, Ill.**
Dec. 19 filed 150,000 shares of 4½% cumulative convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriters**—Glore, Forgan & Co. and Lee Higginson Corp., New York. **Proceeds**—To retire bank loans. **Withdrawal**—Statement withdrawn March 14. Financing arranged privately.

★ **Martin (Glenn L.)**
March 24 filed voting trust certificates for 3,000,000 shares of common stock and $6,000,000 of 10-year 4% convertible subordinated notes.

★ **Mercantile Acceptance Corp. of California**
March 20 (letter of notification) 2,030 shares of common stock (par $5) and $40,600 of 10-year 5% junior subordinated debentures to be offered to common stockholders of record March 10 at rate of one share of common and $20 face amount of debentures. **Price**—$23.50 per unit. **Proceeds**—For working capital. **Office**—333 Montgomery Street, San Francisco, Calif. **Underwriter**—Guardian Securities Corp., San Francisco, Calif.

★ **Mercier Packing Co., Inc., Rochester, N. Y.**
March 21 (letter of notification) 150,000 shares of class A capital stock (par $1) and 3,000 shares of class B capital stock (no par), each purchase of 50 class A shares being privileged to buy one class B share. **Price**—$1 per share. **Proceeds** — For working capital. **Office** — 910 Wilder Bldg., Rochester, N. Y. **Underwriter**—None.

Merritt-Chapman & Scott Corp. (4/10)
March 13 filed 124,147 shares of common stock (par $12.50), to be offered for subscription by common stockholders of record April 10 on the basis of one share for each four shares held. Of any unsubscribed shares, employees, including officers, may purchase a maximum of 10,000 shares; rights to expire about April 28. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for working capital and other corporate purposes. **Office**—17 Battery Place, New York 4, N. Y. **Business**—Industrial building, marine and heavy construction. **Underwriter**—None.

★ Metal Hydrides, Inc., Beverly, Mass. (4/14)
March 21 filed 100,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To enlarge research facilities and for new construction. **Underwriter**—D. A. Lomasney & Co., New York.

★ Minneapolis-Honeywell Regulator Co. (4/9)
March 20 filed $20,000,000 of 20-year debentures due 1972. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for working capital. **Underwriter**—Union Securities Corp., New York.

Minnesota Mining & Manufacturing Co. (4/7)
March 18 filed 300,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—Goldman, Sachs & Co.; Kidder, Peabody & Co. and Piper, Jaffray & Hopwood.

Mountain States Telephone & Telegraph Co. (3/31)
March 7 filed 318,624 shares of capital stock, to be offered for subscription by stockholders of record March 28 in ratio of one share for each four shares held. **Price**—At par ($100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., parent, which owns a majority (over 84.81%) of present outstanding stock. **Underwriter**—None.

Multnomah Plywood Corp., Portland, Ore.
Feb. 27 filed 200 shares of common stock (par $2,500), of which 191 shares are to be offered to stockholders at par and nine shares are to be offered to three individuals in units of three shares each at $12,500 per unit. **Proceeds**—To acquire timber, timberlands and peeler plant and for working capital. **Underwriter**—None.

New Brunswick (Province of) (4/9)
March 13 filed $10,000,000 of 20-year sinking fund debentures, due April 1, 1972. **Price**—To be supplied by amendment. **Proceeds** — To redeem $4,000,000 2¼% 5-year debentures of the Province due May 1, 1952, and the remainder to be advanced to The New Brunswick Electric Power Commission in connection with its construction program. **Underwriter**—Halsey, Stuart & Co. Inc., Chicago and New York.

New Mexico Jockey Club, Albuquerque, N. M.
March 17 filed 1,255 shares of common stock (par $1,000). **Price**—To be supplied by amendment. **Proceeds**—To construct racing plant and for working capital. **Underwriter**—None, but Dr. Frank Porter Miller of Los Angeles, Calif., will be "engaged to sell the securities to the public."

Newport Steel Corp., Newport, Ky.
Feb. 5 (letter of notification) 1,200 shares of common stock (par $1). **Price** — At market (estimated at about $11.84 per share). **Proceeds** — To Bernard A. Mitchell, the selling stockholder. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, Louisville, Ky.

Noranda Oil Corp., San Antonio, Tex.
Jan. 29 (letter of notification) 10,000 shares of common stock (par $1). **Price** — At market (approximately 75 cents per share). **Proceeds**—To Aristide M. Joncas. **Office**—2101 Transit Tower, San Antonio 5, Tex. **Underwriter**—C. K. Pistell & Co., Inc., New York.

• Official Films, Inc., Ridgefield, N. J.
March 12 (letter of notification) 188,914 shares of common stock (par 10 cents), being offered first for subscription by common stockholders of record Feb. 29 at rate of one new share for each seven shares held; rights to expire on April 10. **Price**—$1.50 per share. **Proceeds**—For working capital. **Office**—c/o Cleary, Gottlieb, Friendly & Hamilton, 52 Wall St., New York 5, N. Y. **Underwriter**—None.

★ Oil Hunters, Inc., Fort Worth, Tex.
March 19 (letter of notification) 4,500,000 shares of capital stock, of which 3,000,000 shares will be offered. With each of the first 1,500,000 shares sold, there will be issued free as a bonus one share for each share purchased. **Price**—At par (10 cents per share). **Proceeds**—To drill oil and gas well. **Office**—303 Insurance Bldg., Fort Worth, Tex. **Underwriter**—None.

Oregon Fibre Products, Inc., Pilot Rock, Ore.
Feb. 1 filed $2,500,000 5% sinking fund debentures due Jan. 1, 1968 (in denominations of $100 each); 5,000 shares of 6% cumulative preferred stock (par $100) and 60,000 shares of common stock (par $1) to be offered in units of $100 of debentures and two common shares or one share of preferred and two common shares. **Price**—$102 per unit; debentures and preferred stock may also be purchased at face value separately. **Proceeds**—For new construction and equipment. **Business**—Softboard and hardboard plant. **Underwriter**—None. Statement effective March 12.

Peabody Coal Co.
March 26 filed 160,000 shares of 5½% prior preferred stock (par $25). **Price** — To be supplied by amendment **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—For construction program. **Offering**—Indefinitely postponed.

Peoples Finance Corp., Montgomery, Ala.
Dec. 19 (letter of notification) 15,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—Carlson & Co., Birmingham, Ala. **Proceeds**—To expand business. **Office**—5 South Court St., Montgomery, Ala.

Petroleum Finance Corp.
Feb. 5 (letter of notification) 60,000 shares of common stock (par $1) and 30,000 warrants to purchase 30,000 shares of common stock (warrants exercisable at $7.50 per share on or prior to April 1, 1954). Each purchaser of two common shares will receive one warrant. **Price**—$5 per share. **Proceeds**—For working capital. **Office**—Oklahoma City, Okla. **Underwriter**—George F. Breen, New York.

Pioneer Air Lines, Inc., Dallas, Tex.
Nov. 29 filed 120,000 shares of common stock (par $1). **Price**—$12 per share. **Underwriter**—Cruttenden & Co., Chicago, Ill. **Proceeds**—To purchase new equipment. **Offering**—Temporarily delayed.

Pittsburgh Plate Glass Co. (4/3)
March 11 filed $40,000,000 sinking fund debentures due 1967. **Price**—To be supplied by amendment. **Proceeds**—For further expansion and diversification. **Underwriter**—The First Boston Corp., New York.

• Portland General Electric Co. (4/1)
March 10 filed 250,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To pay bank loans and for new constructin. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Progressive Fire Insurance Co., Atlanta, Georgia (4/1)
March 7 (letter of notification) 10,901 shares of capital stock to be offered on April 1 first to stockholders of record Feb. 11; unsubscribed shares to be offered to public on April 15. **Price**—To stockholders $25 per share, and to public $27.50 per share. **Proceeds**—For working capital to increase volume of business. **Office**—107 Cone Street, Atlanta, Ga. **Underwriter**—None.

Public Telephone Co., Blair, Neb.
Jan. 18 (letter of notification) $80,000 of 4½% first mortgage bonds, series A, due Feb. 1, 1972 (in denominations of $1,000 each). **Price**—At 102%. **Proceeds**—For construction and corporate purposes. **Underwriter**—Wachob-Bender Corp., Omaha, Neb.

Quaker Oats Co., Chicago, Ill.
Feb. 21 filed 410,121 shares of common stock (par $5) being offered to common stockholders of record March 13 on a basis of one share for each seven shares held; rights to expire March 31. **Price**—$26 per share. **Proceeds**—For plant expansion and working capital. **Underwriter**—Glore, Forgan & Co., New York. Statement effective March 12.

Radioactive Products, Inc., Detroit, Mich.
March 14 (letter of notification) 112,500 shares of class A convertible stock (par $1), to be offered for subscription by common stockholders at rate of one class A share for each two common shares held. **Price**—$1.25 per share. **Proceeds**—For equipment and working capital. **Office**—443 West Congress St., Detroit 26, Mich. **Underwriter**—A. H. Vogel & Co., Detroit, Mich.

Reis (Robert) & Co.
Jan. 29 (letter of notification) 7,000 shares of $1.25 dividend prior preference stock (par $10) and 40,000 shares of common stock (par $1). **Price**—$7.37½ per share for the preferred and $1.12½ per share for common. **Proceeds**—To Estate of Arthur M. Reis, deceased. **Underwriter** — None, but Lehman Brothers, New York, will act as broker.

Ridley Mines Holding Co., Grafton, N. D.
Feb. 15 filed 100,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For exploration and other mining purposes. **Business** — Uranium mining. **Underwriter**—None.

Robinson (J. W.) Co., Los Angeles, Calif.
Jan. 4 filed 100,000 shares of capital stock to be offered on a pro rata basis to stockholders of record Nov. 23, 1951 (approximately 33 in number) for a 30-day period, with an oversubscription privilege. Unsubscribed shares to be sold privately to individuals selected by company. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds** — For working capital. **Business** — Department store. Statement effective Jan. 28.

★ Rochester Telephone Corp. (4/23)
March 26 filed 60,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay $3,200,000 bank loans, to redeem $2,282,600 first cumulative preferred stock and for construction expenses. **Underwriter** — The First Boston Corp., New York.

★ Rocket Drilling Co., Newcastle, Wyo.
March 21 (letter of notification) 100,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For working capital. **Underwriter**—None.

San Diego Gas & Electric Co. (4/1)
March 3 filed $12,000,000 first mortgage bonds, series D due 1982. **Proceeds**—To retire $5,600,000 of bank loans and for construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; The First Boston Corp.; White, Weld & Co. and Shields Co. (jointly); Lehman Brothers. **Bids**—Tentatively expected to be received on April 1. **Public Offering**—Scheduled for April 2. Statement expected to become effective March 24.

Sargent & Greenleaf, Inc., Rochester, N. Y.
Feb. 18 (letter of notification) 5,500 shares of common stock (par $1). **Price**—At market (approximately $6 per share). **Proceeds**—To Howard S. Thomas, Jr., the selling stockholder. **Underwriter**—Franklin & Co., New York.

Shirks Motor Express Corp., Baltimore, Md.
Feb. 13 (letter of notification) 9,796 shares of 6% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds**—To Manheim Corp. (for 6,950 shares) and to Posey Service Co. (for 2,846 shares). **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

★ Signal Mines, Ltd., Toronto, Canada
March 17 filed 600,000 shares of common stock of which 500,000 shares are for account of company. **Price**—At par ($1 per share). **Proceeds**—For exploration and development costs and working capital. **Underwriter**—Northeastern Securities Ltd.

Solar Aircraft Co., San Diego, Calif. (4/1)
March 10 filed 120,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To finance increased output of defense orders and for working capital. **Underwriters**—Smith, Barney & Co., New York, and William R. Staats & Co., Los Angeles, Calif.

★ Southern California Edison Co. (4/15)
March 24 filed 800,000 shares of common stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—The First Boston Corp., New York, and Harris, Hall & Co. (Inc.), Chicago, Ill.

Standard Coil Products Co., Inc.
March 17 filed 486,858 shares of common stock (par $1), to be offered in exchange for common stock of General Instrument Corp. on basis of four Standard shares for each five General shares. Offer will be consummated if holders of 85% of General shares tender their stock in exchange. **Dealer-Managers**—F. Eberstadt & Co., Inc. and Hirsch & Co., both of New York.

Sun Electric Corp., Chicago, Ill.
Jan. 29 (letter of notification) 3,000 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—6323 Avondale Ave., Chicago 31, Ill. **Underwriter**—None.

Superior Plywood Corp., Crescent City, Calif.
March 17 filed 3,600 shares of class A voting common stock (par $10), 300 shares of class B non-voting common stock (par $5,000) and 9,000 shares of 6% cumulative preferred stock (par $100). Of the class A stock, 2,000 shares are reserved for issuance at par for cash or exchange in connection with plan to acquire control of Standard Veneer & Timber Co. **Proceeds**—To purchase site for plywood plant, to repay loan and for working capital. **Business**—Operator of green veneer plant. **Underwriter**—None.

★ Tennessee Production Co. (4/14)
March 25 filed 1,250,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for exploration and development of properties. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., New York.

Texas Power & Light Co. (3/31)
Feb. 28 filed $14,000,000 of first mortgage bonds, due April 1, 1982, and $5,000,000 of sinking fund debentures, due April 1, 1977. **Proceeds**—To repay short-term loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For bonds only: First Boston Corp.; Drexel & Co., and Hemphill, Noyes, Graham, Parsons & Co. (2) For debentures only: Harris, Hall & Co. (Inc.). (3) For bonds and debentures: Halsey, Stuart & Co. Inc.; Lehman Brothers; Union Securities Corp.; Kuhn, Loeb & Co., Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Tentatively expected at 11:30 a.m. (EST) on March 31.

Texas Utilities Co.
Feb. 15 filed 409,689 shares of common stock (no par) being first offered to common stockholders of record March 5 at rate of one new share for each 12 shares held (with an oversubscription privilege); rights to expire March 28. **Price**—$32.50 per share. **Proceeds**—To repay bank loans and for investments in and advances to subsidiaries and working capital. **Underwriter**—Union Securities Corp., New York. Statement effective March 5.

★ Torrington Water Co., Torrington, Conn.
March 18 (letter of notification) 3,174 shares of capital stock (par $25). **Price**—At approximately $27 per share. **Proceeds**—To Muriel Alvord, et al. **Underwriter**—Wood, Struthers & Co., New York.

Trangulf Corp., Houston, Tex.
Jan. 25 (letter of notification) 25,000 shares of capital stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—1 Main St., Houston, Tex. **Underwriter**—Arthur I. Korn & Co., New York.

Tri-State Telecasting Corp., Chattanooga, Tenn.
Jan. 21 filed 20,000 shares of common stock (no par) and 2,000 shares of 5% cumulative preferred stock (par $100) to be sold in units of one preferred share and 10 common shares. **Price**—$200 per unit. **Proceeds**—For new equipment and working capital. **Underwriter**—None.

Tung-Sol Electric, Inc. (4/1)
March 10 filed 50,000 shares of cumulative convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Harriman Ripley & Co., Inc., New York. **Offering**—Expected early in April.

United Air Lines, Inc.
Feb. 27 filed 223,865 shares of 4½% cumul. convertible preferred stock, 1952 series (par $100), being offered for subscription by common stockholders at rate of one share of preferred stock for each 11 shares of common stock held on March 18; rights to expire on April 2. —**Price**—At par. **Proceeds**—To be applied, together with other fund, toward payment for new flight and ground equipment. **Underwriter**—Harriman Ripley & Co., Inc., New York.

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Viking Plywood & Lumber Corp., Seattle, Wash.
Oct. 19 filed 22,500 shares of common stock (no par) to be offered to employee-stockholders in minimum units of 125 shares per unit. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—To purchase 50% of capital stock of Snellstrom Lumber Co. Statement effective Feb. 25.

Welex Jet Services, Inc.
Jan. 25 (letter of notification) 2,000 shares of common stock (no par). **Price**—$20 per share. **Proceeds**—To W. H. Thompson, the selling stockholder. **Underwriters**—Barron McColloch, Ft. Worth, Tex.; Dewar, Roberston & Pancoast and Russ & Co., both of San Antonio, Tex.; and Laird & Co., Wilmington, Del.

West Penn Power Co., Pittsburgh, Pa. (4/1)
Feb 28 filed $12,000,000 of first mortgage bonds, series O, due April 1, 1982, and $8,000,000 of no par common stock (latter to be offered for subscription by stockholders at rate and price to be supplied by amendment. **Proceeds**—To pay bank loans and for property additions and improvements. **Underwriters**—(1) For stock, none. West Penn Electric Co., owner of approximately 94.6% of outstanding common stock, proposes to purchase all shares not subscribed by public holders. (2) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers; Blyth & Co., Inc.; W. C. Langley & Co; The First Boston Corp. **Bids**—Expected to be opened at 11 a.m. (EST) on April 1.

Western Air Lines, Inc. (4/7)
March 10 filed 165,049 shares of common stock (par $1), to be offered for subscription by stockholders of record April 7 at rate of three new shares for each 10 shares held; rights to expire on April 22. **Price**—To be supplied by amendment. **Proceeds**—To be added to working capital and used for purchase of additional equipment. **Underwriter**—Blyth & Co., San Francisco, Calif., and New York.

Western Gold Mines, Inc., Carson City, Nev.
March 14 (letter of notification) 2,500 shares of common stock (par 10 cents). **Price**—$2.25 per share. **Proceeds**—For working capital. **Office**—First National Bank Bldg., Carson City, Nev. **Underwriter**—None.

• Wisconsin Power & Light Co. (4/15)
March 19 filed $7,000,000 of first mortgage bonds, series F, due April 1, 1982. **Proceeds**—To reduce bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Smith, Barney & Co. and Robert W. Baird & Co., Inc. (jointly); Union Securities Corp.; First Boston Corp.; Glore, Forgan & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly). **Bids**—Tentatively expected about April 15.

• Wisconsin Power & Light Co. (4/4)
March 19 filed 15,000 shares of cumulative preferred stock (par $100), to be offered for subscription by preferred stockholders of record March 31 on a pro rata basis, and 288,208 shares of common stock (par $10), to be offered for subscription by common stockholders of record March 31 on the basis of one new share for each seven shares held; rights expected to be issued on April 4 to expire on April 21. **Price**—To be supplied by amendment. **Proceeds**—For rduction of bank loans and new construction. **Underwriters**—Smith, Barney & Co., New York, and Robert W. Baird & Co., Inc., Milwaukee, Wis.

Wix Accessories Corp., Gastonia, N. C.
March 3 (letter of notification) 10,000 shares of common stock, to be offered for subscription by stockholders. **Price**—$18 per share. **Proceeds**—For working capital. **Underwriter**—Jackson & Smith, Gastonia, N. C.

Prospective Offerings

Aeroquip Corp.
Jan. 4, Don T. McKone, Chairman, announced that consideration was being given to the possibility of equity financing. On Feb. 18, stockholders voted to increase the authorized common stock to 1,000,000 from 750,000 shares, and to issue 37,500 shares as a 5% stock dividend. **Underwriter**—Watling Lerchen & Co., Detroit, Mich. **Proceeds**—For additional working capital.

Alabama Gas Corp.
March 7 sought SEC authority to issue and sell $4,000,000 first mortgage bonds, series C, due 1971. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co., Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Salomon Bros. & Hutzler, Equitable Securities Corp. and Carl M. Loeb, Rhoades & Co. (jointly).

American Can Co.
Feb. 5 directors approved the raising of $50,000,000 of new money to provide for the company's plant improvement program and for additional working capital. C. H. Black, Chairman, said the board's plans call for providing half of the new money through the sale of debentures and the remaining $25,000,000 through the sale of additional common stock which would be offered to common stockholders for subscription. The details of the financing plan will be completed and announced at an early date. Stockholders will vote April 29 on approving financing plans and proposed 4-for-1 split-up of preferred and common stocks. **Underwriter**—Morgan Stanley & Co., New York.

American Hard Rubber Co., N. Y.
March 14, F. D. Hendrickson, President, announced company plans to issue and sell 96,655 additional common shares (par $12.50) to stockholders on the basis of one share to each holder of two common shares and to each holder of four shares of $50 par preferred stock (including a right of oversubscription). **Proceeds**—For working capital and for improvements and developments. **Traditional Underwriter** — Hemphill, Noyes, Graham, Parsons & Co., New York.

American Telephone & Telegraph Co.
Feb. 20 directors voted to place before stockholders on April 16 a proposal to authorize a new issue of not to exceed $550,000,000 of convertible debentures. Last issue of debentures was offered to stockholders at par, without underwriting.

★ Arkansas Power & Light Co.
March 14 it was reported company plans sale in October of $12,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp., and Central Republic Co. (Inc.) (jointly); Lehman Brothers and Stone & Webster Securities Corp. (jointly); Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane.

Bell Telephone Co. of Pennsylvania
Jan. 2 it was announced that company's construction program for next three years calls for the expenditure of $247,000,000 of which about $81,700,000 will be spent in 1952. **Underwriters**—For bonds to be decided by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lazard Freres & Co. (jointly); Morgan Stanley & Co.; White, Weld & Co. and Union Securities Corp. (jointly); The First Boston Corp.

★ Bridgeport Brass Co.
March 20 it was announced that stockholders will vote April 28 on creating an issue of 125,732 shares of convertible preferred stock (par $50) which are to be offered for subscription by common stockholders on a 1-for-7½ basis. **Registration**—Expected early in April. **Underwriters**—Hornblower & Weeks and Stone & Webster Securities Corp.

California-Pacific Utilities Co.
Feb. 29 it was reported company expects to offer about $2,000,000 of debentures within the next two months. Proceeds will be used to pay for additions and improvements to property. **Traditional Underwriters** — First California Co., Inc., San Francisco, Calif.

Carpenter Paper Co.
March 6 it was announced stockholders will vote March 28 to increase authorized common stock from 1,000,000 shares (238,649 shares outstanding) to 2,000,000 shares, and on splitting up present shares on a 2-for-1 basis. It is planned also to offer publicly up to 60,000 shares of the new common stock. **Proceeds**—For working capital and general corporate purposes. **Traditional Underwriter**—Kirkpatrick-Pettis Co., Omaha, Neb.

Case (J. I.) Co.
Jan. 18 it was announced that stockholders will vote April 17 on increasing the authorized common stock from 1,200,000 shares, par $25, to 4,000,000 shares, par $12.50, and on issuance of two new shares in exchange for each share presently held. Following split-up, it is planned to set aside 100,000 of the new shares for sale to employees under stock purchase options, and to offer to common stockholders one new share for each five shares held. **Price**—To be determined later. **Underwriters**—Probably Morgan Stanley & Co. and Clark, Dodge & Co.

Central Hudson Gas & Electric Corp.
March 25 stockholders voted to increase authorized preferred stock (par $100) from 150,000 shares (130,300 shares outstanding) to 225,000 shares to enable company to meet future capital requirements. There are no immediate plans for sale of any additional preferred stock.

March 4 it was reported company plans the sale this Fall of about $5,500,000 first mortgage bonds. Latest bond financing was done privately in March, 1951 through Kidder, Peabody & Co.

Chicago & North Western Ry. (4/9)
March 7 company sought ICC authority to issue and sell $6,825,000 of equipment trust certificates to be dated May 1, 1952 and payable in 15 annual instalments from 1953 to 1967, inclusive. Probable bidders: Halsey, Stuart & Co, Inc.; Salomon Bros. Hutzler; Bear, Stearns & Co.

Columbus & Southern Ohio Electric Co.
March 7 it was announced company expects to enter the permanent financing market about the middle of 1952 with 150,000 to 200,000 shares of new common stock. **Proceeds**—For construction program. **Underwriter**—Dillon Read & Co., Inc., New York.

Connecticut Light & Power Co.
March 1 it was announced that it is presently estimated that approximately $11,000,000 of additional capital will be required during the latter half of 1952.

Consolidated Gas, Electric Light & Power Co. of Baltimore
Dec. 24 it was stated that company plans to issue and sell both stocks and bonds during 1952 to an amount sufficient to raise approximately $22,000,000. **Underwriters**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co., Inc. and Alex. Brown & Sons (jointly). The First Boston Corp., Alex. Brown & Sons and John C. Legg & Co (jointly) handled latest common stock financing, while White, Weld & Co. handled last preferred stock sale. **Proceeds**—For new construction. **Offering**—Expected in March or April.

Copperweld Steel Co.
March 3 it was announced stockholders on April 30 will vote on increasing the authorized indebtedness from $5,000,000 to $15,000,000 (none presently outstanding) and the authorized preferred stock (par $50) to 137,727 shares from 37,727 shares, which are all outstanding. **Traditional Underwriter**—Riter & Co., New York.

Crane Co., Chicago, Ill.
March 5 it was reported that company is understood to be planning sale of additional securities in the not immediate future. **Underwriters** — Morgan Stanley & Co. and Clark, Dodge & Co., New York.

Dallas Power & Light Co.
Jan. 23 company was reported to be planning issuance and sale of $6,000,000 first mortgage bonds, with registration expected in the near future. **Proceeds**—To be used for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co., Inc.; Equitable Securities Corp.; Lehman Brothers; Union Securities Corp.; Kidder, Peabody & Co.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected late May or early June.

★ Davison Chemical Corp.
March 13 it was announced stockholders will vote April 17 on authorizing creation of an issue of 300,000 shares of convertible preferred stock (par $50), of which it is planned to offer 128,533 shares first to common stockholders on a 1-for-5 basis. **Underwriters**—Alex. Brown & Sons, Baltimore, Md., and Kidder, Peabody & Co., New York.

• Erie RR. (4/1)
Bids will be received by the company up to noon (EST) on April 1 for the purchase from it of $1,800,000 equipment trust certificates to be dated April 15, 1952 and mature semi-annually from Oct. 15, 1952 to April 15, 1962, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros & Hutzler; Bear, Stearns & Co.

First National Bank of Portland (4/30)
March 10 stockholders approved sale of 200,000 additional shares of common stock (par $12.50) to common stockholders of record April 30 at rate of one new share for each five shares held; rights to expire on May 29. Unsubscribed shares would be purchased by Transamerica Corp., which owns a controlling stock interest in the bank. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Florida Power Corp.
Jan. 11 it was announced that additional financing will be necessary to complete the company's construction program and it is contemplated that the balance of new capital needed will be obtained from the sale of common stock and first mortgage bonds. Company has borrowed $4,000,000 under a bank credit recently arranged which provides for short-term bank borrowings of not more than $10,000,000. Previous bond financing was done privately. Common stock may be offered to common stockholders, with Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane acting as agents.

Florida Power & Light Co.
Feb. 11 directors approved a $22,100,000 construction budget for 1952 and $27,800,000 for 1953. This is part of a 10-year program estimated to cost $332,000,000. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Shields & Co.; The First Boston Corp.; Carl M. Loeb, Rhoades & Co. and Bear, Stearns & Co. (jointly); White, Weld & Co.

General Fuse Co., South River, N. J.
Jan. 28 Nelson O. Burt, President, announced company is discussing the marketing of unsubscribed 5½% convertible preferred stock with several underwriters. A total of 50,000 shares were recently offered to common stockholders at par ($5 per share).

General Public Utilities Corp.
Feb. 6 it was reported the corporation is expected to sell this summer approximately 530,000 additional shares of common stock. Stockholders on April 7 will vote on proposal to authorize issuance of common stock without requiring preemptive rights. **Underwriters**—If stock is sold at competitive bidding, probable bidders may include: Lehman Brothers; The First Boston Corp. In July, 1951, Merrill Lynch, Pierce, Fenner & Beane acted as clearing agent for an offering of common stock to stockholders.

Georgia Power Co. (7/8)
Feb. 8 it was announced company plans issuance and sale of $20,000,000 of first mortgage bonds. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Lehman Brothers; Kuhn, Loeb & Co.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Shields & Co. and Salomon Bros. & Hutzler (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc. **Bids**—Expected on July 8.

Globe-Wernicke Co.
Feb. 26 it was reported company may issue and sell convertible debentures, or debentures with warrants attached. **Proceeds**—To refund outstanding 7% preferred stock. **Underwriters**—May include Westheimer & Co., Cincinnati, O.

Gulf Power Co. (6/24)
Feb. 8 it was announced company plans to issue and sell $7,000,000 of first mortgage bonds. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. inc.; Coffin & Burr, Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Union Securities Corp.; Equitable Securities Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler and Drexel & Co. (jointly). **Bids**—Expected to be opened on or about June 24.

Hammermill Paper Co.
Jan. 22 it was announced company plans public offering of additional common stock (par $5) following proposed two-for-one split-up of presently outstanding 287,020 shares authorized by the stockholders on Feb. 25. **Proceeds**—To be used for expansion program. **Traditional Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

Hartford Electric Light Co.
Feb. 18 it was announced stockholders will vote March 4 on a $20,000,000 financing plan which will include the sale of bonds (probably privately). **Proceeds**—For new construction.

Idaho Power Co.
Feb. 27 T. E. Roach, President, announced that the company's present plans consist of the sale this summer of about 225,000 additional shares of common stock (par $20), but no preferred stock. **Price**—At a minimum of $35 per share net to company. **Underwriters** — Latest common stock financing in April, 1949, was handled by Blyth & Co., Inc.; Lazard Freres & Co.; and Wegener & Daly Corp. **Proceeds**—To repay bank loans and for construction program.

International Bank for Reconstruction and Development ("World Bank")
Feb. 5 it was reported bank expects to issue and sell $50,000,000 to $100,000,000 additional bonds in April or May.

International Utilities Co., Ltd.
March 10 it was announced stockholders will vote April 15 on increasing the authorized common stock and on creating a new issue of preferred stock. **Traditional Underwriter**—Butcher & Sherrerd, Philadelphia, Pa.

Kansas City Power & Light Co.
Jan. 4 company announced that it plans to issue and sell in 1952 about $12,000,000 principal amount first mortgage bonds (this is in addition to present preferred and common stock financing. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc. and Lazard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For new construction.

Kansas Gas & Electric Co. (6/9-10)
Feb. 29, Murray Gill, President, announced that company will probably bring an offering of securities to market in the next few months, but the amount is still undecided. Investment groups had been said to have been forming on a reported $12,000,000 in bonds and 200,000 shares of common stock. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Lehman Brothers; Union Securities Corp. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); The First Boston Corp. Probable bidders for stock: Union Securities Corp.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp. **Bids**—Tentatively expected on June 9 or 10.

Kentucky Utilities Co.
Dec. 10 it was reported company plans to issue and sell in April or May $12,000,000 30-year first mortgage bonds, series D. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

Leitz (Ernst), Inc., New York
Jan. 21 it was reported that the Office of Alien Property, 120 Broadway, New York, N. Y., plans to sell late in March all of the outstanding capital stock of this company, which distributed Leica cameras in the United States. Probable bidders may include: Allen & Co.

Long Island Lighting Co.
March 5 it was announced company plans to finance in part its 1952 $41,000,000 construction program by the sale of $35,000,000 of new securities. **Underwriters**—For any common stock, may be Blyth & Co., Inc. and The First Boston Corp. (jointly); for any preferred, W. C. Langley & Co., and for any bonds to be determined by competitive bidding, with the following probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & Co.

Martin (Glenn L.) Co.
Jan. 10 company announced plan to sell an estimated $6,000,000 of convertible debentures to a group of private investors and additional common stock to common stockholders. **Underwriter**—Smith, Barney & Co., New York. **Proceeds**—From sale of debentures to help meet production programs, and from sale of stock to retire debentures within six months. **Meeting**—Stockholders will vote April 2 on approving financing plan.

Middle East Industries Corp., N. Y.
Oct. 31 it was announced company plans to expand its capitalization in the near future and to register its securities with the SEC preliminary to a large public offering, the funds to be used to build new industrial projects in Israel.

National Fuel Gas Co., N. Y. (5/20)
Jan. 29 company applied to SEC for authority to issue and sell $18,000,000 of sinking fund debentures due 1977. **Proceeds**—To repay $11,000,000 bank loans and to loan $7,000,000 to subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co.; Harriman Ripley & Co., Inc. **Bids**—Expected on or about May 20.

National Gypsum Co.
Feb. 20 it was announced stockholders will vote March 25 on a proposal to increase the authorized common stock from 2,500,000 to 5,000,000 shares in order "to prepare company for the opportunities and requirements of the coming years." No immediate plans have been made for the issuance of any additional common stock. **Traditional Underwriters**—W. E. Hutton & Co., Cincinnati, Ohio, and Blyth & Co., Inc., New York.

National Research Corp., Cambridge, Mass.
Jan. 21 it was announced stockholders will vote March 21 on increasing authorized capital stock from 125,000 shares to 600,000 shares, to provide, in part, for payment of a 200% stock dividend. It is also planned to make a public offering of a portion of the proposed authorized shares when market conditions are favorable. Latest financing in 1946 was made to common stockholders. Proceeds would be added to working capital. **Underwriters** — Probably Paine, Webber, Jackson & Curtis and The First Boston Corp. **Offering**—Expected in May.

National Supply Co.
March 7 it was announced stockholders will vote April 2 on increasing authorized indebtedness from $20,000,000 to $50,000,000. There are no immediate plans for sale of any securities, but company may start using long-term bank loans to secure working capital instead of relying on short-term loans.

Nevada Natural Gas Pipe Line Co., Las Vegas, Nevada
Feb. 8 company applied to FPC for authority to construct a 114-mile pipeline from near Topock, Ariz., to Las Vegas, Nev., at an estimated cost of $2,400,880, to be financed by sale of $1,600,000 first mortgage bonds, $500,000 preferred stock and $402,500 common stock.

New British Dominion Oil Co., Ltd.
March 5 it was reported company plans offering of about 1,000,000 shares of additional common stock. **Proceeds**—To be used for exploration development, etc. Properties are located primarily in British Columbia, Alberta, and Montana. **Underwriter**—Allen & Co., New York.

New England Power Co.
Jan. 11 company received from SEC authority to increase authorized bank borrowings from $12,000,000 to $16,000,000. A major portion of this indebtedness may be financed through issuance and sale of $7,500,000 first mortgage bonds this year and the sale of additional common stock to parent (New England Electric System). **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc.; Equitable Securities Corp. and Blair, Rollins & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly).

New England Telephone & Telegraph Co.
Dec. 20, F. A. Cosgrove, Vice-President, said a permanent financing program will have to be undertaken in 1952 to repay about $43,000,000 short-term bank borrowings. **Underwriters**—For bonds may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. In case of common stock financing there will be no underwriting.

New Jersey Bell Telephone Co.
Feb. 18 company filed a new $70,000,000 financing program with the New Jersey Board of Public Utility Commissioners, which will include $20,000,000 of long-term bonds. **Proceeds**—From sale of bonds and from sale of $50,000,000 of common stock to parent, American Telephone & Telegraph Co. will be used for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co.; Kuhn, Loeb & Co.; Shields & Co.; The First Boston Corp. **Offering**—Expected early in May.

New Jersey Natural Gas Co.
Feb. 26 it was reported company, formerly known as County Gas. Co., plans issuance and sale of $12,500,000 first mortgage bonds (to be placed privately), $2,000,000 of preferred stock and 200,000 shares of common stock to provide funds for acquisition of gas properties of Jersey Central Power & Light Co. at an estimated price of $14,500,000. **Underwriter**—Probably Allen & Co., New York.

● Northern Indiana Public Service Co.
March 14, Indiana P. S. Commission authorized the company to issue and sell this year $10,000,000 of first mortgage bonds, series G. **Proceeds**—For construction program estimated to cost about $20,000,000 in 1952 and $21,000,000 in 1953. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp.; Equitable Securities Corp.; White, Weld & Co.; Union Securities Corp.; Central Republic Co. (Inc.), Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co., Inc.

Northern States Power Co. (Minn.)
Jan. 16, B. F. Braheney, President, announced that company will have to raise between $30,000,000 and $32,500,000 this year to finance its construction program. About two-thirds of the amount needed will be in the form of debt issues and the balance common stock (about 1,100,000 shares) the latter issued first to common stockholders. **Underwriters**—To be determined by competitive bidding. Probable bidders for stock and bonds: Smith Barney & Co.; The First Boston Corp.; Glore, Forgan & Co.; Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly). Probable bidder on bonds only: Halsey, Stuart & Co. Inc.

Northwest Natural Gas Co.
Jan. 7 company filed amended application with FPC in connection with its plan to build a natural gas transmission system in the Pacific Northwest to transport gas from Canada to markets in Idaho, Washington and Oregon, with a portion to be returned to Canada for use in British Columbia. The estimated overall cost of the project is approximately $92,000,000. **Underwriter**—Morgan Stanley & Co., New York. **Financing**—Not expected until after Provincial elections in April.

Pacific Northwest Pipeline Corp.
Jan. 7 the company applied to the FPC for authority to build a 2,175-mile natural gas pipeline from southern Texas to the Pacific Northwest at an estimated cost of $174,186,602. The line is sponsored by Fish Engineering Corp. of Houston, Tex. Probable underwriters: White, Weld & Co. and Kidder, Peabody & Co., New York. (See also accompanying item on "Spokane Gas & Fuel Co.")

Pan American Sulphur Co.
Feb. 9 stockholders approved an increase in the authorized common stock from 1,500,000 shares (par 10 cents) to 2,000,000 shares (par 70 cents). A part of the increase is expected to be offered for subscription by stockholders. Proceeds would be used for construction and exploration program in Mexico.

Penn Controls, Inc.
Jan. 11 it was reported company may file in February a revised financing proposal with SEC. The previous proposal to issue 100,000 shares of common stock (par $2.50) through F. S. Moseley & Co. was withdrawn on Dec. 21.

Pennsylvania Electric Co.
Jan. 5 it was announced that company plans to spend about $26,000,000 for expansion in 1952, to be financed, in part, by the sale of about $9,000,000 first mortgage bonds, $4,500,000 of preferred stock and $4,500,000 of common stock (the latter issue to parent, General Public Utilities Corp). **Underwriters**—For bonds and preferred stock to be determined by competitive bidding. Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Union Securities Corp. and White, Weld & Co. (jointly); Kuhn, Loeb & Co.; A. C. Allyn & Co., Inc.; Equitable Securities Corp.; Shields & Co. and R. W. Pressprich & Co. (jointly). (2) for preferred—Smith, Barney & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co.

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(jointly); Kuhn, Loeb & Co.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co.. Inc. **Offering**—Expected in mid-year.

Pennsylvania Salt Manufacturing Co.
March 13 it was announced stockholders will vote April 23 on increasing authorized indebtedness from $10,000,-000 (about $5,200,000 outstanding) to $25,000,000. No immediate borrowing is contemplated.

Peoples Gas Light & Coke Co.
Feb. 26 it was announced stockholders will vote April 3 on increasing authorized capital stock (par $100) from 1,000,000 shares (933,578 shares outstanding Dec. 31, 1951) to 2,000,000 shares. The company has no present plans for issuing any of the additional authorized shares, but they will be available for issuance either for cash or for a consideration other than cash without further action of the stockholders.

Philadelphia Electric Co.
Feb. 6 it was announced stockholders on April 9 will be asked to approve an increase in the authorized indebtedness of the company to $400,000,000 from $265,-430,000. No additional financing is contemplated until 1953.

★ Pittsburgh & Lake Erie RR. (4/2)
Bids will be received by the company up to noon (EST) on April 2 for the purchase from it of $2,460,000 equipment trust certificates to be dated April 15, 1952 and mature semi-annually from Oct. 15, 1952 to April 15, 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

Pressed Steel Car Co., Inc.
March 4 it was announced stockholders will vote April 17 on increasing the authorized common stock from 1,-280,000 shares to 3,280,000 shares (1,045,500 shares presently outstanding). The new shares would be issued when directors decide, in connection with diversification program. No immediate financing is planned. **Traditional Underwriter**—Kuhn, Loeb & Co., New York.

Public Service Co. of Indiana, Inc.
March 4 it was announced stockholders will vote April 7 on a plan to create an issue of 800,000 shares of cumulative preferred stock (par $25), of which between 400,-000 and 800,000 shares (probably convertible into common) are expected to be initially offered. **Proceeds**—To repay bank loans and for construction program. **Underwriters** — May be determined by competitive bidding. Probable bidders: The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co. and Harriman Ripley & Co., Inc. (jointly).

Public Service Co. of New Hampshire
March 6 it was announced company intends, in May or June, 1952, to issue $4,000,000 of first mortgage bonds and $2,500,000 of preferred stock, and toward the end of the year to issue sufficient common shares to raise approximately $4,000,000. **Proceeds** — To retire bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); White, Weld & Co.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly). (2) For preferred stock — The First Boston Corp.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co., Inc. (3) For common stock—Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. and Lehman Brothers (jointly).

• Public Service Electric & Gas Co.
March 15 it was announced stockholders will vote April 21 on authorizing an issue of $40,000,000 debentures, which may be sold this spring or summer, together with about $20,000,000 additional common stock. The proceeds will be used for the company's construction program. In November, the company sold through Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. an issue of 249,942 shares of 4.70% cumulative preferred stock (par $100).

★ Ralston Purina Co. (4/16)
March 26, it was announced momentary registration is expected of $25,000,000 sinking fund debentures. **Price** —To be announced later. **Underwriters**—Kidder, Peabody & Co. and Goldman, Sachs & Co., New York.

★ Rainbow Oil Co. of Calgary, Ltd.
March 18 it was reported that early registration is expected of around 350,000 shares of common stock (value about $2,500,000). **Underwriters**—Hayden, Stone & Co., New York, and T. H. Jones & Co., Cleveland, Ohio.

Reading Co. (3/27)
Bids will be received by the company, Room 423, Reading Terminal, Philadelphia 7, Pa., up to noon (EST) on March 27 for the purchase from it of $8,340,000 equipment trust certificates, series T, to be dated April 15, 1952 and to mature semi-annually to and including April 15, 1967. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

Robertson (H. H.) Co., Pittsburgh, Pa.
Nov. 16 it was announced stockholders will in April 1952, vote on a proposal to increase the authorized common stock from 250,000 shares (all outstanding) to 1,-000,000 shares in order to make additional stock available for such corporate purposes as acquisition of new properties, to provide additional capital funds or declaration of stock dividends.

Scott Paper Co.
March 7 it was announced stockholders will vote April 24 on increasing the authorized common stock from 3,-000,000 to 5,000,000 shares, and the authorized indebtedness from $4,000,000 to $25,000,000. The company said it will announce later any plans for future financing. **Underwriters**—Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane; and Smith, Barney & Co.

Southern Co.
Feb. 8 it was announced company is planning to issue and sell later this year additional common stock. **Proceeds**—To increase investments in subsidiaries in furtherance of their construction programs. **Underwriters**—May be determined by competitive bidding. Probable bidders: Lehman Brothers; Morgan Stanley & Co.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc.

Southern Natural Gas Co.
March 3 company filed with FPC a $76,000,000 expansion program to bring natural gas into its Alabama, Georgia and Mississippi service areas.

• Southern Union Gas Co.
March 17 it was stated company plans to issue and sell $5,000,000 of debentures, 30,000 shares of preferred stock and between 165,000 to 170,000 shares of common stock (latter to common stockholders on a 1-for-10 basis). **Registration**—Expected late this month. **Underwriter**—Blair, Rollins & Co. Inc., New York.

Springfield City Water Co. (Mo.)
Feb. 20 company applied to Missouri P. S. Commission for authority to issue $900,000 of 3¾% first mortgage bonds, 1,620 shares of preferred stock at par ($100 per share) and 10,000 shares of common stock (no par) at $10 per share.

Tampa Electric Co.
Jan. 24 it was announced company plans to spend $52,000,000 for new construction and improvements in the next five years and expects to enter the new money market this year to finance its 1952 requirements. Latest bond financing was done privately. **Traditional Underwriter**—Goldman, Sachs & Co., New York.

Tennessee Gas Transmission Co.
March 10 it was announced stockholders will vote March 28 on increasing authorized preferred stock from 600,000 shares to 1,000,000 shares. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Texas Calgary Co. (Del.)
March 14 it was announced than an offering is expected of approximately 40,000 to 50,000 shares of common stock (par $1). **Price**—$3.25 per share net. **Proceeds**—To an estate and a group of non-controlling small stockholders. **Underwriter**—Troster, Singer & Co., New York.

Texas Electric Service Co. (5/6)
Jan. 23 it was reported company was planning issuance and sale of $8,000,000 first mortgage bonds due 1982 and $5,000,000 debentures due 1977. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Union Securities Corp.; Hemphill, Noyes, Graham, Parsons & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp. **Registration**—Tentatively scheduled for March 28. **Bids**—Expected to be received at 11:30 a.m. (EST) on May 6.

Texas-Ohio Gas Co., Houston, Tex.
Oct. 17 company applied to FPC for authority to construct a 1,350-mile natural gas transmission line extending from Texas into West Virginia. The project is estimated to cost $184,989,683. **Underwriter**—Kidder, Peabody & Co., New York.

Toledo Edison Co.
Nov. 20 it was reported that the company expects to spend approximately $46,500,000 for expansion in 1952 to 1955, and it has been stated that no further financing is contemplated before late 1952, when about 400,000 shares of common stock is anticipated. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; W. C. Langley & Co.; Lehman Brothers and Smith, Barney & Co (jointly).

Trade Bank & Trust Co., New York
Jan. 15 stockholders approved increase in authorized capital stock (par $10) from $2,000,000 to $2,500,000, the additional 50,000 shares to be offered for subscription by stockholders of record Feb. 29 on basis of one share for each four shares held; with rights to expire on April 1. **Price**—At par. **Underwriting**—None involved.

Transcon Lines, Los Angeles, Calif.
March 13 it was announced company will offer 30,000 shares of capital stock to stockholders on March 24, with an oversubscription privilege; subscribed shares to public on April 7. **Price**—To stockholders, $6.75 per share, and to public, $7.12½ per share. **Proceeds**—For working capital, etc. **Underwriter**—Cruttenden & Co., Chicago, Ill.

★ Transcontinental Gas Pipe Line Corp.
March 14 it was reported company plans issuance and sale this Fall of an issue of convertible preferred stock. **Underwriters**—Probably White, Weld & Co. and Stone & Webster Securities Corp., New York.

Union Bank & Trust Co. of Los Ang.
March 18 company offered for sale 10,000 shares of capital stock (par $50), first to stockholders of record March 17 at rate of one share for each 7½ shares held; rights to expire on April 8. **Price**—$120 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Blyth & Co., Inc.; Stern, Frank, Meyer & Fox; Lester, Ryons & Co.; A. W. Morris & Co., and Wm. R. Staats & Co.

★ Union Electric Co. of Missouri
March 24 filed an application with the SEC for authority to issue and sell $30,000,000 of first mortgage and collateral trust bonds due May 1, 1982. **Proceeds**—To repay $10,000,000 of temporary borrowings and for construction program of company and Union Electric Power Co., a subsidiary. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., The First Boston Corp., Lehman Brothers, Kuhn, Loeb & Co. and Harriman Ripley & Co. Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Dillon, Read & Co. Inc.

United Gas Corp.
Feb. 6 the SEC ruled that 3,165,781 shares of common stock (approximately 27% of total outstanding) must be disposed of by Electric Bond & Share Co. **Underwriters**—If competitive, probable bidders may include Lehman Brothers.

★ Utah Power & Light Co.
March 7 SEC authorized company to borrow up to $10,000,000 from banks and use the money for new construction. It is intended to repay the bank loans from the proceeds of permanent financing in the fall. **Underwriters**—May be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co. (2) For common stock—Blyth & Co., Inc., W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; The First Boston Corp. **Registration**—Of stock, probably in August, and of bonds in September.

Virginia Electric & Power Co.
Dec. 12 it was announced that company expects to spend $40,000,000 or more for new construction in 1952, of which about $30,000,000 may be raised through new financing. On Feb. 15 it was reported directors have approved plans to issue and sell in June approximately 495,000 shares of common stock (first to stockholders). A bond sale is expected in the fall. **Underwriters**—For stock, probably Stone & Webster Securities Corp. For bonds, to be determined by competitive bidding, with the following probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; White, Weld & Co.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly).

Washington Gas Light Co.
Jan. 12 reported that company is considering plans to raise about $4,500,000 from the sale of additional common stock to its stockholders (there are presently outstanding 734,400 shares). **Underwriters**—The First Boston Corp. and Johnston, Lemon & Co. handled the offering last year to stockholders. **Proceeds**—Together with bank loans and other funds to take care of proposed $6,000,000 expansion program.

Washington Water Power Co.
Jan. 9 company applied to the SEC for authority to make bank borrowings of $40,000,000, the proceeds to be used to finance contemporarily, in part, the company's construction program. Permanent financing expected later this year. Probable bidders: (1) For stock or bonds: Blyth & Co., Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); (2) for bonds only: Halsey, Stuart & Co. Inc.

Western Pacific RR. Co. (3/27)
Bids will be received up to 3:30 p.m. (EST) on March 27 at the office of the Reconstruction Finance Corporation, 143 Liberty St., New York 6, N. Y., for the purchase from the RFC of its holdings of 15,788 shares of common stock (no par).

Westinghouse Air Brake Co.
Feb. 12 it was announced stockholders will vote April 15 on increasing common stock (par $10) from 4,200,000 shares (about 4,123,000 outstanding) to 7,500,000 shares.

Wisconsin Electric Power Co.
March 5 it was reported company plans issuance and sale in May or June of about $12,500,000 1st mtge. bonds and to raise approximately $14,000,000 more through the sale to common stockholders of additional common stock probably at the rate of one new share for each six shares held. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co.; The First Boston Corp.; Union Securities Corp. and Harriman Ripley & Co., Inc. (jointly). The common stock offering may not be underwritten. **Meeting**—Stockholders will vote April 16 in increasing authorized common stock from 4,000,000 to 6,000,000 shares.

Worcester County Electric Co.
March 13 it was reported company is considering the sale of additional bonds, but amount and time of offer has not yet been determined. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

Yale & Towne Manufacturing Co.
March 11 it was announced stockholders will vote April 17 on approving issuance of 150,000 shares of common stock for property and also an additional 163,344 shares as deemed advisable for other purposes. Previous offer (to stockholders in June, 1951) was underwritten by Morgan Stanley & Co., New York.

Our Reporter's Report

The underwriting industry once more is finding itself embroiled in a "tug-o-war" with the "bureaucrats," as some of their number are wont to tab the portfolio managers of some of the larger institutional investing organizations.

Currently the difference appears to be in the nature of making a mountain out of a mole-hill since it involves the matter of a few basis points in yields fixed for current new offerings.

For the moment the major bone of contention is Consolidated Edison Co. of New York's $50,000,000 of new first and refunding, 30-year mortgage bonds. In competitive bidding, on Tuesday, the successful group paid the company a price of 101.769 for a 3⅜% coupon rate.

The group proceeded with reoffering and fixed a price of 102.384 for an indicated yield of 3.25%. Well, the potential buyers had been anticipating a 3.27% to 3.28% basis, according to trade gossip, and accordingly they were inclined to be tough about the matter, at least momentarily.

The same situation developed last week when a couple of basis points separated the ideas of underwriters and prospective buyers in the case of Pacific Gas & Electric's $55,000,000 offering. Bankers brought this one out at 101.92 to yield 3.28% and got away to a slow start, since buyers' ideas pictured a 3.30% basis.

But the drought was broken in due time and it is now indicated that perhaps less than $10,000,000 remain unsold, with holders apparently not anxious to use the repurchase out.

Embarrassing Moment

Grabbing his hat and coat the representative of an investment banking house rushed off to the customary last minute meeting which precedes submission of bids for an issue.

Three syndicates had been formed to compete for this particularly large piece of business. The banker here, in his haste rushed into the conclave and sat it out before he suddenly realized that his firm was part of a competing syndicate.

There was nothing he could do but to admit his mistake and, since "spying" on a competing group is taboo, his firm had to withdraw from participation in the business. As things turned out, he was on the right track, for the group whose meeting he attended walked off with the business. But that probably has served to lessen his embarrassment.

Meet Good Reception

Two smaller issues slated for market this week appeared to have been well-spoken-for in advance, according to discussion in dealer circles.

Shamrock Oil & Gas Co.'s $15,000,000 of 30-year first mortgage bonds, being sold to provide funds for general corporate purposes, were said to be assured of a brisk reception.

And the same was the reported story in the case of Southern Production Co.'s $12,500,000 of convertible debentures due in 15 years. This undertaking was designed to put the company in funds for investment in new producing properties and leases.

Couple of New Ones

The prospective calendar of new issues was expanded substantially this week when the Chicago & Western Indiana Railroad sought ICC approval of plans to offer $65,000,000 of refunding bonds. It had been intended originally to offer $52,500,000 of these securities.

But the company decided to lift the ante to permit redemption prior to maturity of $11,740,000 of first and refunders as well as $50,000,000 of consolidated 4s which are due July 1 next. This, however, is a private undertaking.

Southern California Edison Co. has registered to cover issue of 800,000 shares of common which are to be offered publicly by bankers via the negotiated route. Proceeds would be used to finance construction.

MEETING NOTICE

The New York Central Railroad Company

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Albany, N. Y., March 25, 1952.

The Annual Meeting of the Stockholders of The New York Central Railroad Company, for the election of Directors and of three Inspectors of Election and the transaction of such other business as may be lawfully brought before the meeting, will be held in the Ball Room of the Hotel Ten Eyck, 87 State Street, in the City of Albany, N. Y., on Wednesday, May 28, 1952, at 12:00 o'clock Noon, Eastern Daylight Saving Time.

One of the purposes of said meeting is considering, and acting upon the adoption of, a joint agreement for the merger into said Company of West Shore Railroad Company, New Jersey Junction Railroad Company, New York and Fort Lee Railroad Company, The Wallkill Valley Railroad Company, The Toledo and Ohio Central Railway Company, The Lake Erie, Alliance & Wheeling Railroad Company and The Federal Valley Railroad Company, upon the terms and conditions set forth in said agreement, and taking such other action as may be appropriate incident to such merger.

Stockholders of record at 3:00 o'clock P.M. on April 25, 1952, will be entitled to vote at such meeting.

By order of the Board of Directors.

JOSEPH M. O'MAHONEY, Secretary.

Joins E. E. Mathews

(Special to The Financial Chronicle)

BOSTON, Mass. — Maurice J. Battista is with Edward E. Mathews Co., 53 State Street.

With V. C. Weber Co.

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Marjorie T. Kelley has joined the staff of V. C. Weber & Co., 411 North Seventh Street.

Joins Elmer Bright

(Special to The Financial Chronicle)

BOSTON, Mass. — Edmund A. Marukelli has been added to the staff of Elmer H. Bright & Co., 84 State Street, members of the New York and Boston Stock Exchanges.

With Hodgdon Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — John C. Sterge has joined the staff of Hodgdon & Co., 10 State Street. He was perviously with Draper, Sears & Co.

DIVIDEND NOTICE

CONSOLIDATED NATURAL GAS COMPANY

30 Rockefeller Plaza
New York 20, N. Y.

DIVIDEND No. 17

THE BOARD OF DIRECTORS has this day declared a regular semi-annual cash dividend of One Dollar and Twenty-five Cents ($1.25) per share on the capital stock of the Company, payable on May 15, 1952, to stockholders of record at the close of business April 15, 1952.

E. E. DuVALL, Secretary

March 20, 1952

T. A. Hulfish Opens

MT. RAINIER, Md.—Thomas A. Hulfish is engaging in a securities business from offices at 3201 Rhode Island Avenue.

Harris, Upham Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Attilio A. Petrocchi is with Harris, Upham & Co., 136 Federal Street.

Slayton Co. Adds

NEW ORLEANS, La. — Mrs. Elma M. Segue has been added to the staff of Slayton & Company, Inc., 126 Carondelet Street.

With Goodbody & Co.

(Special to The Financial Chronicle)

TAMPA, Fla.—Joseph M. Mandese has joined the staff of Goodbody & Co., 608 Tampa Street.

DIVIDEND NOTICES

WORLD-WIDE BANKING

Chase

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK

DIVIDEND NOTICE

The Chase National Bank of the City of New York has declared a dividend of 40c per share on the 7,400,000 shares of the capital stock of the Bank, payable May 1, 1952 to holders of record at the close of business April 4, 1952.

The transfer books will not be closed in connection with the payment of this dividend.

KENNETH C. BELL
Vice President and Cashier

To the Holders of Preferred and Common Stock of

SOUTHERN PRODUCTION COMPANY, INC.

At a meeting of the Board of Directors held on March 24, 1952, the following dividends were declared:

A 10% common stock dividend, to be issued July 25, 1952, to holders of common stock of record on July 7, 1952.

The regular semi-annual dividend of 50 cents on the 4% Cumulative Convertible Preferred Stock, $25 par value, payable on June 2, 1952 to stockholders of record on May 15, 1952.

At the same time, the Board of Directors called for redemption on July 2, 1952 all of the then outstanding shares of 4% Cumulative Convertible Preferred Stock at a price of $25 per share plus accrued dividends. Holders of said Preferred Stock have the right to convert their shares into common stock until June 27, 1952.

Southern Production Company, Inc.
By: H. T. ELLWOOD, *Secretary-Treasurer*

March 25, 1952.

CALL FOR PHILIP MORRIS

102nd COMMON STOCK DIVIDEND

Philip Morris & Co. Ltd., Inc.

Our Institutional STOCKHOLDERS

Scientists in the Making at Johns Hopkins University

Philip Morris dividends benefit not only individual stockholders but thousands of others as well—people aided by the institutions owning stock in Philip Morris.

For example, Johns Hopkins University, which offers a large number of scholarships for the education of deserving students, is aided in this by the dividends received as a Philip Morris stockholder.

CUMULATIVE PREFERRED STOCK

The regular quarterly dividends of $1.00 per share on the 4% Series and $0.975 per share on the 3.90% Series have been declared payable May 1, 1952 to holders of record at the close of business on April 15, 1952.

COMMON STOCK ($5.00 Par)

A regular quarterly dividend of $0.75 per share has been declared payable April 15, 1952 to holders of record at the close of business on April 1, 1952.

L. G. HANSON, *Treasurer*

March 19, 1952

New York, N. Y.

DIVIDEND NOTICES

LEHIGH VALLEY COAL CORPORATION

March 20, 1952.

The Board of Directors of this Corporation has today declared a dividend of $351,597.80 on its $3. Non-Cumulative First Preferred Stock, payable April 14, 1952, to stockholders of record of such stock at the close of business on March 31, 1952, this dividend being equivalent to about $1.582 per share.

H. L. FOUNTAIN,
Secretary & Treasurer.

LONG ISLAND LIGHTING COMPANY

Notice of Quarterly Dividend

The Board of Directors has declared a quarterly dividend of 22½ cents per share on the Common Stock of the Company, payable May 1, 1952 to stockholders of record at the close of business April 11, 1952.

This dividend will not be distributed to holders of the old Preferred and Common Stocks of the Company (or Certificates of Deposit for said Stocks) or to holders of the old Preferred Stocks of Queens Borough Gas and Electric Company and Nassau & Suffolk Lighting Company until such shares have been surrendered and exchanged for the new Common Stock.

VINCENT T. MILES
March 26, 1952 *Treasurer*

Sirco

SOUTHERN STATES Iron Roofing Company
SAVANNAH, GEORGIA

Dividend on Preferred Stock

A quarterly dividend of thirty-one and one-quarter cents (31.25c) per share on the Preferred Stock of this company has been declared, payable on April 1, 1952, to stockholders of record March 18, 1952.

ROSS G. ALLEN
Secretary and Treasurer

Edison

Southern California Edison Company

DIVIDENDS

COMMON DIVIDEND NO. 169

PREFERENCE STOCK
4.48% CONVERTIBLE SERIES
DIVIDEND NO. 20

PREFERENCE STOCK
4.56% CONVERTIBLE SERIES
DIVIDEND NO. 16

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on the Common Stock;

28 cents per share on the Preference Stock, 4.48% Convertible Series;

28½ cents per share on the Preference Stock, 4.56% Convertible Series.

The above dividends are payable April 30, 1952, to stockholders of record April 5, 1952. *Checks will be mailed from the Company's office in Los Angeles, April 30, 1952.*

P.C. HALE, *Treasurer*

March 21, 1952

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — If out where you live in Six Corners, Any State, you are amazed to find out how peoples' political prognostications swing violently from one extreme to another in barely a couple of weeks, just remember it is the same way in this capital city.

Just prior to the New Hampshire primary it was all Taft. Here was Taft, methodically and persistently going ahead and harvesting delegates, and Eisenhower wasn't doing anything about it. Darn patriotic of the General to keep his nose stuck to the NATO grindstone in Paris, but why in blazes doesn't he face the political realities of life and come home and give the boys some help.

The gloom was in the Eisenhower camp. One prominent gentleman here, who is suspicioned of favoring the General strongly even though he hasn't committed himself publicly, told this reporter privately that the very best that Ike could do under the most favorable of all circumstances would be to deadlock the Republican convention and keep the nomination from Taft; given the best of breaks, he couldn't get the nomination for himself.

Now it is all the opposite. The mercurial emotions of all but the hard-bitten political tradesmen have soared to the heights, if they are devotees of General Eisenhower, or to the depths, if they are followers of Senator Taft.

New Hampshire and Minnesota have proved, so it is now being said, that Taft definitely is a vote repeller and Eisenhower is the vote-getter. "The Eisenhower camp is right." Taft hasn't got political "It," and Republicans by and large want Ike; don't want Taft.

* * *

New Hampshire definitely was a bloomer for Taft. One of the so-called "rules" of politics is that a primary, most of the time, is an affair of the professionals, the set-up for an organization. The organization in New Hampshire was, as has been widely reported, all for Eisenhower. Furthermore, the great bulk of New England Republicans look a lot more like Trumanites than they look like old-fashioned Republicans.

It was a set-up which Taft should have avoided, and which he was advised to avoid. Nevertheless, one of the supposed best political "brains" behind Taft went up to New Hampshire and made himself a nice little private survey. He came back and reported to Taft that for sure the Ohio Senator would collect himself six or seven delegates. That result alone would swipe the nectar from the Eisenhower flower of victory, and if the trend was, as he reported, toward Taft, it was a beautiful parlor to walk into.

Taft furthermore was advised to stick by his advance alibi, which was that he recognized it was an Eisenhower set-up but was, as it were, making a forlorn appearance for the sake of giving the people of New Hampshire a chance to hear him and give his workers a chance to get some votes for him.

The Senator didn't stick to the advice, and himself got carried away in his enthusiasm and began, so it is said, inspiring news stories that he would do pretty well. So Taft is failing to do what doctors do when they get sick, or lawyers when they get into legal trouble: hire themselves another member of their profession to cure or protect them from the law, as the case may be—for the outsider is more emotionally detached—and follow the outside legal or medical advice given.

* * *

With Minnesota, Taft did recognize the organizational character of the primary, and did stay out of it. He did tell his followers not to inspire a write-in drive as was done for Eisenhower.

The Minnesota situation was a funny one, and this reporter got it explained by a Minnesota Democrat, who therefore was neutral to a degree. This source explained that Stassen was behind the drive to get Eisenhower officially ruled off the Gopher State ballot by a court decision. Now in Minnesota, he explained, the people have long been enamored with a curious but staunch tradition of "non-partisanism," and traditionally react against political machines, even to the extent of wrecking the Democratic-Farmer-Labor political machine which was quite an apparatus, set up by the late Gov. Floyd Olsen.

According to my informant, a very good many voters in Minnesota were sore at Stassen for denying them a chance to vote for Eisenhower. This could not alone, by any means, explain away the large write-in vote for the General. It was absolutely large and compelling in any case, but if the anti-Stassen protest vote were taken out, it would have been less spectacular. Of course, the Eisenhower group in Minnesota engaged in a terrific telephone campaign to induce write-ins, while the Taft boys themselves said, don't do it. Taft announced he would stay out of Minnesota, and meant it.

Another curious factor in Minnesota was that by noon of the primary election day, the state government ran out of Democratic ballots to pass around, thinking the demand for Democratic ballots would be lighter than it was. In a state where people don't think a thing of which party they vote in, many Democratic voters merely took the GOP ballots when no Democratic ballots were available, and wrote in Eisenhower or pasted in a convenient "Ike" sticker.

* * *

Alibis, however, have little to do with headlines, and the headlines do create the impression **initially** that there is doubt about Taft's vote-getting appeal and little doubt about Eisenhower, and the No. 3 test, New Jersey, may not help dispel this impression. In this case, Taft beat a hasty retreat from a situation somewhat paralleling New Hampshire, and a retreat which some of the Senator's friends thought was a little too hasty and unseemly.

* * *

As the political tradesmen see it, Taft has been on the receiving end of the first two blows, and may be socked for the third one. While those political personages with small margins and little background about the "market" are hastily retreating at the first sign of the turn in prices, as it were, the well-entrenched and politically wise "bulls" are waiting for much more than a few flurries in the market before switching their positions.

In other words, a check around the town gives the impression that the main body of the professionals isn't ready to desert Taft. They will await a much more convincing sign of possible unpopularity than New Hampshire, Minnesota, or perhaps even Jersey. If Taft, who is on the ticket in Wisconsin, beats the stalking horse, Stassen, soundly in Wisconsin then the mercurial feelings of this town as well as "Six Corners" will again completely reverse.

And, as one hard-bitten observer noted: So far Eisenhower has got only New Hampshire's delegates. He didn't get Minnesota's delegates. Stassen got them. Minnesota's delegates at some point in the convention, it is supposed, will be for sale. They may not necessarily, despite gossip to the contrary, be for sale to Eisenhower. They could even go elsewhere—as for instance in a whoop to General MacArthur,—without just compensation to Harold Stassen.

* * *

Republicans supporting Taft are pointing out one thing which political history makes it hard to refute.

IF General Eisenhower were nominated and elected President, tradition would suggest that the General as President would naturally call upon his pre-convention supporters in Congress for advice, not only upon taxes, labor legislation, social welfare programs, and everything else, but also upon these same men for suggestions on appointment of key officials of the "Eisenhower Administration."

Thus the policies of an Eisenhower Administration would be suggested by such men as Senators Charles W. Tobey of New Hampshire, Wayne Morse of Oregon, Irving M. Ives of New York, or perhaps George W. Aiken of Vermont.

It would be men like these who would suggest the outlines of labor legislation, tax legislation, and spending programs. Presumably Rep. Jacob K. Javits of New York, for instance, would advise on housing, slum clearance, and health matters.

On the other hand, if Senator Taft were made President, he probably would take tax advice from such men as Senators Eugene D. Millikin of Colorado or John J. Williams of Delaware, "controls" advice from such men as Senators John Bricker of Ohio, Homer Capehart of Indiana, or Everett Dirksen of Illinois.

* * *

The House Banking Committee already has launched a strategem which it is hoped will defeat or help blunt the expected drive among a majority of members of the Senate Banking Committee to release hundreds of millions of direct Federal funds to finance defense area housing.

"Liberals" in the Senate are talking of a drive to get up to $1 billion of direct funds for purchase of Titles VIII (military housing) and IX (defense housing) loans. They don't expect, of course, to get that much approved, but are talking high so that they can later compromise on maybe half that sum.

The House Committee is dead set against this, and has approved release of only $52 million for "Fanny May" funds to take care of the application for these loans that were pending near the end of December when the $200 million of direct money ran out.

It is the intention of the House Committee to get the $52 million approved, and sit tight, and say, in effect, "this has taken care of the situation and we will not give them a cent more." The "liberal" crowd already have proposed in the Senate the release of the same $52 million for pending applications, to be followed by the big appropriation or authorization later.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Now get it straight: — You're wild about Taft when you call on Pittle and Co. — you think Truman's fine when you're dealing with Snitzle Brothers — and you like Ike when you're calling on Broadbottom and Company!"

Business Man's Bookshelf

The Exchange—Monthly magazine published by New York Stock Exchange containing articles by top men in top companies—$1.00 per year—The Exchange Magazine, Department C, 20 Broad Street, New York 5, N. Y.

Human Rights and the United Nations—Russell J. Clinchy—The Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—paper—no charge for single copies; quantity prices on request.

Lloyd's: The story of Lloyd's of London—C. E. Golding and D. King-Page—Cloth—McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 18, N. Y.—Cloth—$4.50.

Retirement Procedures Under Compulsory and Flexible Retirement Policies—Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton N. J.—paper—$2.00.